

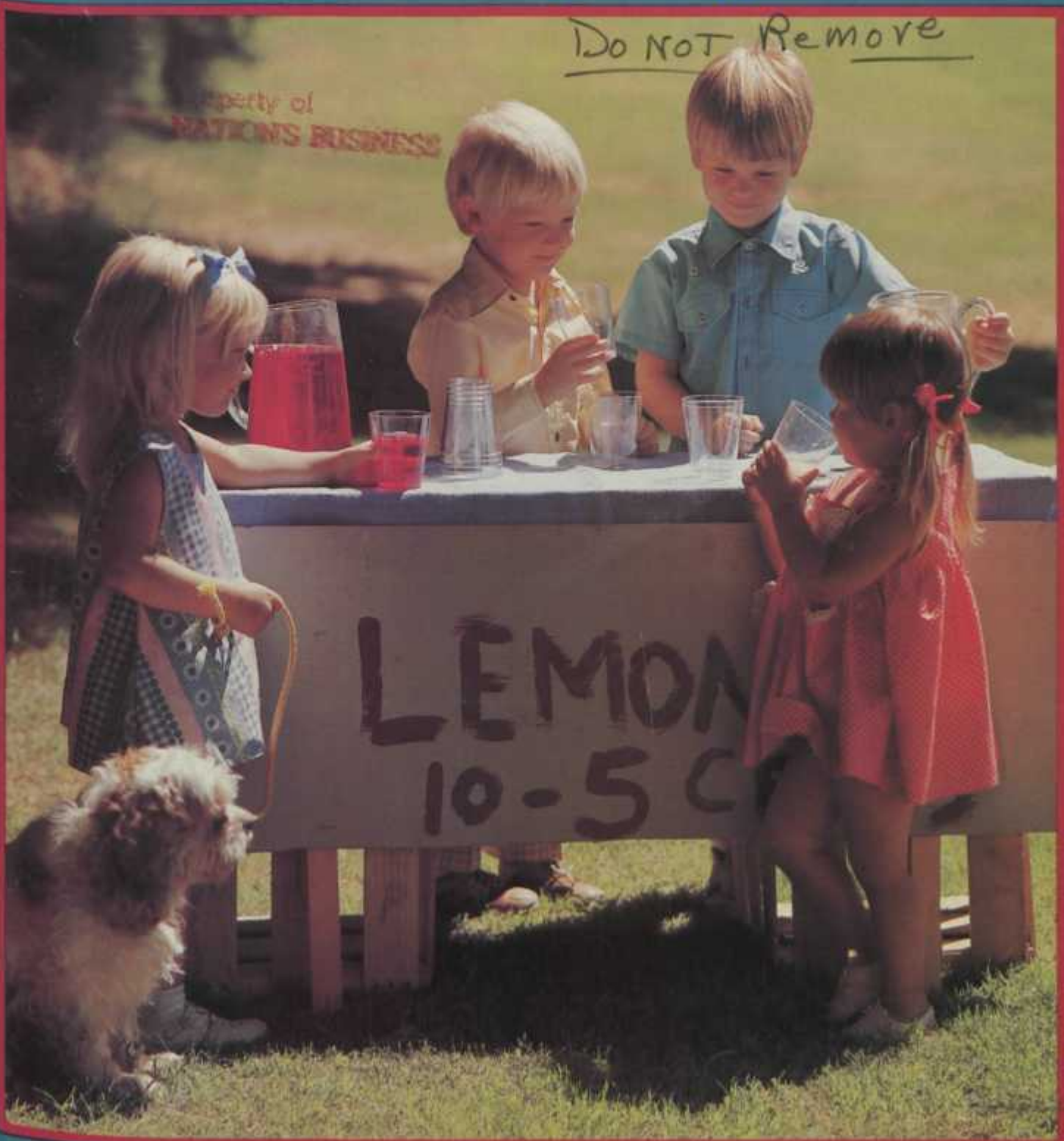
OCTOBER 1979

Nation's Business

the business advocate magazine

circulation at all-time high — 1,250,000

Profits Are for Everybody



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Put a tough Chevy Van to work. It'll do the job. Available in both 110" and 125" wheelbase models. Many dealers can arrange leasing, too.

6	86.2%
7	87.5%
21	87.5%
22	93.6%
23	93.0%
2	94.1%
23	96.7%
8	99.2%
27	100.0%
28	100.0%

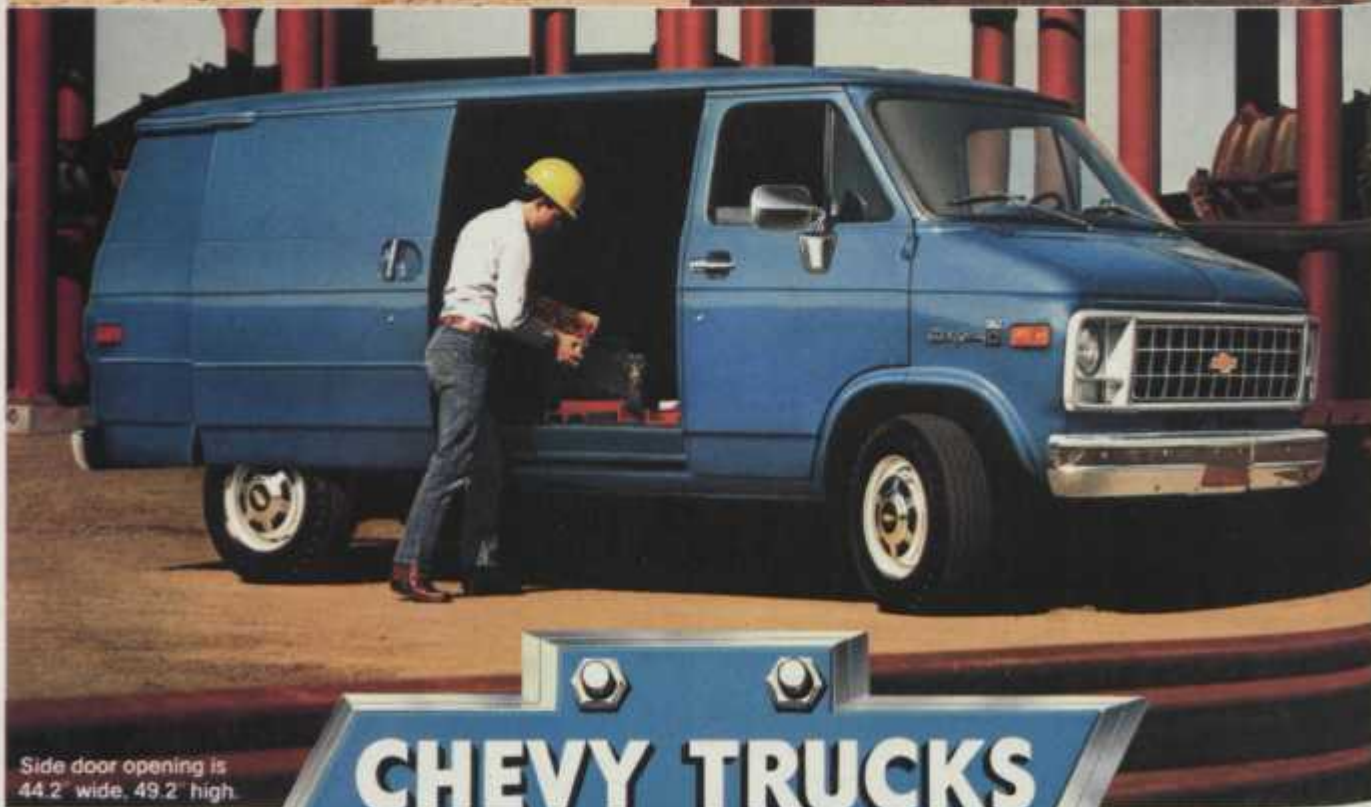
A TOUGH RECORD TO BEAT
 14.8% of Chevrolet Medium-Heavy Duty trucks and commercial vans in the ten most recent years recorded were still on the job. (Based on F. I. Fisk & Co. model year registrations through July 1, 1978. 1972 statistics not available at time of printing.)



Rear door opening is 48.8" x 54.4"



Chevy 125 WB Sportvan



Side door opening is
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CHEVY TRUCKS

BUILT TO STAY TOUGH

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The reason the EP 310 keeps going when some copiers stop, is because it has an extremely short, straight paper path. That means it's virtually jam proof.

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anything else from 5½ x 8½ to 10¼ x 14 inches.

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And there are features on the EP 310 that will help save you money from the first day it's in your office. Like a toner recycling system, an energy saving standby mode, and an ability to copy on both sides of paper.

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The EP 310. It's the copier that can do things a lot of other copiers can't.

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EP 310
THE PLAIN PAPER COPIER
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When you move an employee, does he end up with someone else's old extension?



Introducing the communications system from Bell that helps solve this and many other office management problems.

In a growing, changing business, moving day can be practically every day. And making all the necessary changes in your communications system is not only disruptive, but time-consuming and expensive, too.

That's where a new communications system called the Horizon® system is unique. It's a computer-like system by Western Electric that can be re-programmed whenever it becomes necessary. And you make many of the changes yourself. You can reassign phones, change extensions, allocate features to individual phones, add, change or delete features—all without calling in the phone company, without interrupting service, quickly, and at significant savings to you.

If your office has a large turnover of personnel or a seasonal fluctuation, the Horizon communications system can help you keep pace.

If the work pattern of your business changes, the Horizon system lets you reshape your communications to match.

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As an employee's responsibilities change, you can assign new or different features to his phone.

Whether you have seventy-nine phones, or as few as a dozen, the flexibility of the Horizon system means you can run a more efficient operation.

And the Horizon system helps you in other ways.

Better Office Management

To prevent employees from wasting time and money, the Horizon system lets you control which phones can make outside and long distance calls, and which phones can't. And which have access to WATS lines.

Each phone in the Horizon system can be programmed to automatically forward calls to another extension if no one answers after a ring or two. Which means calls will be answered even when people are away from their desks or out to lunch. One extension can be responsible for calls for as many as seven

other phones. Secretaries can do the important work you hired them for, instead of running from phone to phone.

Misdirected or ongoing calls can be transferred quickly—without going through an attendant. But if yours is the kind of business that requires a receptionist or attendant, the Horizon system offers a central console which lets you handle more calls than ever before, and in less time.

The Horizon system even helps you at night. An employee who's working late can answer *any* incoming call by dialing a simple number code. Your night watchman, for instance, could answer by picking up the nearest phone while on his rounds.

Tailored to Your Needs

These are just some of the ways that you can put the Horizon system to work for your business.

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And when it comes to making communications systems, nobody knows more than Western Electric.

To find out what the right system is for your needs, call your local Bell System company today.

You'll end up with more than a better business communications system.

You'll end up with a better business.



Western Electric

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of your company. By keeping them happy, you help assure your business' stability and long-term success.

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The Nation's Business WASHINGTON LETTER

► **CAPITOL HILL** rumors that this session of the 96th Congress may be adjourned by the end of this month will not come true.

There was scuttlebutt earlier that late October was target date for members to call it quits this year. But now, even optimists say Thanksgiving may be early.

Why the effort to press on?

Constituents are feeling the shaky economy where it hurts--in their pocket-books.

Inflation and energy are the big issues, and members of Congress would open themselves to criticism for taking an early vacation without action of some sort on these problems.

NOTE: No midterm adjournment of Congress since 1965 has occurred prior to December.

► **TAX CUT POSSIBILITIES** are growing. Look for a cut next year.

Republicans are overwhelmingly in favor of cuts.

Key Democrats--including the administration--still say wait and see what the economy does.

That's the official line. But they seem a lot like nervous horses at the starting gate: Keyed up and ready to go.

A big increase in the unemployment rate would be the starting gun for many Democrats.

Chances are good for depreciation tax reforms backed by business, with or without other cuts.

► **WAGE-PRICE GUIDELINE** tinkering contemplated by the Carter administration worries business leaders.

Is the proposal for a wage board made up of business, labor, and public

members and an all-public price board a step toward mandatory controls? Or is it merely an attempt to rejuvenate poorly regarded current guidelines?

Controls don't cure inflation, says the U. S. Chamber of Commerce, which suggests "consultation with business and labor and thorough discussion in Congress" before making changes.

Labor spokesmen call for controls rather than guidelines and may refuse to support any new plan they don't consider strong enough.

NOTE: Nixon-era controls were run by separate pay and price panels.

► **WILL GEORGE MEANY RETIRE?** That question overshadows all other aspects of the 13th biennial convention of the AFL-CIO, coming up in Washington next month.

Convention will meet to consider amendments to constitution, formulate policy, and elect representatives to the labor federation's 33-member executive council.

No policy shifts are expected, so all eyes will be on the election. If Mr. Meany decides not to run again, odds favor Lane Kirkland to replace him. Mr. Kirkland is now secretary-treasurer.

Insiders believe Mr. Meany will state his intentions to the executive council when it meets the day before the convention opens, if not sooner.

► **SHORTEN THE LEGAL WORKWEEK** to 35 hours and raise the overtime rate to twice regular time?

Most economists would shudder at the thought in view of the nation's current slump in productivity.

Nevertheless, that's what Rep. John Conyers, Jr., (D.-Mich.) would like to see. He has introduced a bill

to that effect. Hearings will be held this month.

What upsets business analysts even more, however, is that the House labor standards subcommittee will be doing the honors.

That subcommittee has been refusing to hold hearings on business proposals to defer the minimum wage hike--from \$2.90 to \$3.10--scheduled for 1980 and add a youth differential, both of which would improve productivity.

► **TEACHER STRIKES**, plaguing the nation this fall, are likely to get worse in years ahead.

Reasons: Growing unionization of public workers; pinch of inflation on pay; taxpayer pressure to hold down local budgets, taxes.

Possible declines in school enrollment as "baby bust" hits the system may cause scramble to spread the work and protect existing jobs.

► **EPA ACTION ON CHLOROFLUOROCARBONS** used in refrigeration and industry will be delayed beyond first of year, at least.

An indication of the agency's plans had been expected this fall, but there has been some slippage in the timetable for receipt of special studies, says an agency official.

CFCs, banned as aerosol propellants, may damage earth's ozone layer. But there are no good substitutes for them in refrigeration.

► **INSTEAD OF AN AUDIT**, you may want to consider a new procedure approved by the American Institute of Certified Public Accountants.

It's called compilation and review. Difference from audit? Basically, the accountant accepts company documents at face value, without further checks.

It's simpler, less costly than audit, and may satisfy some requirements.

Interested? Ask your accountant.

► **OUTLOOK FOR HOLIDAY SALES**: Fair to poor. Consumers are carrying a heavy debt burden. Inflation and taxes are eating up gains in income. Confidence is falling, says Chase Econometric

Associates, Inc., and Data Resources, Inc., among others.

They foresee durables moving very slowly, with recovery delayed into 1980.

Nondurables have already bottomed out and should be on a mild upswing during the season. Clothing sales may do well.

► **YOUR EMPLOYEES** in the next decade will want to contribute to your firm's output and goals. They'll want to belong.

But you must heed the signals today and respond accordingly, says an expert.

Michael R. Cooper, a senior vice president for Opinion Research Corp., says: "I see good things happening in the next ten years. Top corporate officers are becoming less defensive about management prerogatives, about giving up power, and this is good."

Why? "They are freeing themselves to give employees interesting, challenging, and responsible jobs at all levels wherever possible.

"This is the key to the 1980s."

► **THE COST BENEFITS** of creating an atmosphere where workers feel needed are enormous, says Mr. Cooper.

Simply stated, "a worker who feels needed is more productive," he says.

He adds that changes in attitudes among workers seem to shift on an annual basis.

In 1975 and 1976, the research firm found that hourly and clerical workers at firms surveyed were dissatisfied with what management was telling them. Consequently, efforts to communicate with these workers were increased, and a 1978 survey showed a marked improvement.

But, he adds, this caused a downshift in managers' attitudes, apparently because they no longer felt privileged.

► **THE IMPORTANCE** of understanding worker attitudes? Firms that stay one step ahead of changing employee feelings will benefit from higher worker morale and productivity, says Mr. Cooper.

But management in the next decade will have to be on its toes to attract and retain the kind of employees successful companies need.



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Get the whole story.

Is It Worth the Turmoil?

The value-added tax portends economic hardship for business and the consumers. The tax is based on value added, not profit. Thus the tax is not considerate of a business's ability to pay. All who run a business know how

difficult it is to pay income taxes when you make a profit—can you imagine paying the same high tax during a year or two of losses.

The only way that businesses can survive the VAT is to increase the sell-

ing price of their products to begin building a contingency tax fund to permit payment of the high taxes due during years of low or no profit. In this way, the VAT would be inflationary.

Is the VAT really worth all the turmoil and economic disruption it would cause? It offers nothing positive that an income basis for taxation can't provide and has a lot of negative aspects.

In the corporate income tax we have a good fundamental basis for taxation. Let's support it.

JOHN V. WESTBERG
President
Auto Meter Products, Inc.
Elgin, Ill.

VAT burden

The chairmen of Congress's tax-writing committees see the value added tax or VAT as the key to sweeping fiscal changes.

Sen. Russell Long (D-La.) says: "We should cut taxes for everybody at the same time."

If enacted into law, VAT would be just another sales tax. Instead of lowering the tax burden on the American people, VAT would increase it.

If Congress enacts VAT, what makes you think it will cut or eliminate another tax? VAT will only bury the small businessman in paperwork.

MICHAEL J. BOLLINGER, JR.
Michael J. Bollinger Co.
Baltimore, Md.

Accounting burden

It is true that VAT is widely used in Europe. It is also widely despised.

A big problem with VAT is that it is so cumbersome. Being levied at every transaction in the manufacturing and distribution process, VAT adds an additional accounting burden for all but the very small companies that do not reach the minimum turnover.

In practice, even a retail shopkeeper or a freelance decorator must spend weary extra hours on the VAT accounts. Even the purchase of a pencil entails two entries, one for the cost and one for VAT; otherwise, the input-output difference is not recovered.

When Britain joined the European



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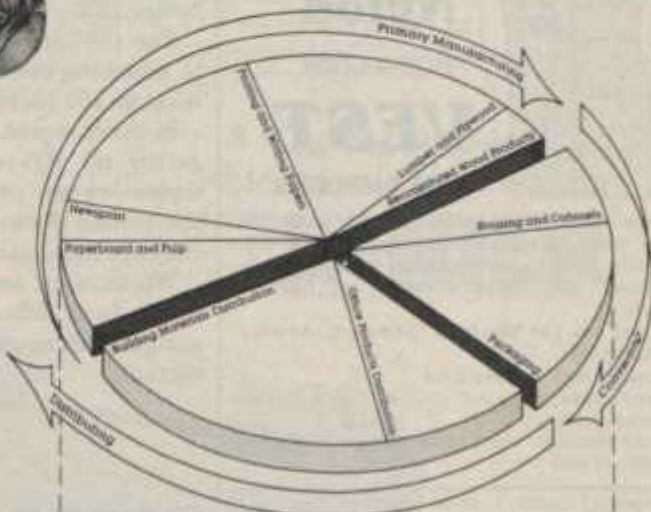
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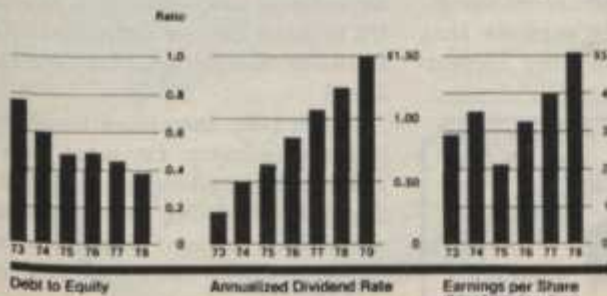
Think you might like to grow along? Our annual report might just convince you. For your copy, contact Irv Littman, Investor Relations Manager, Boise Cascade Corporation, One Jefferson Square, Boise, Idaho 83728, (208) 384-6326.



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• Copy For Emblem _____

• Color _____ Royal Blue, Navy Blue, Red, Black, Orange, White, Gold, Kelly Green

Price includes one 1-color emblem sewn on front of cap. (Minimum Order — 72)

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Economic Community, VAT replaced the purchase tax, a much simpler tax levied at one point in the production chain.

Any advantages stemming from VAT must have been grossly outweighed by the extra burden on the country's resources. The advantages claimed by Michigan are not inherent to VAT.

R. E. MILNER
London

Poor example

While VAT is an equitable concept, the Michigan version is a very poor example.

Certainly large businesses endorse it because small businessmen are paying the increased share of the burden.

The Michigan legislature has already made one major revision and is being pressured to make more.

The Michigan system is certainly not one to be copied.

ROBERT G. FORGETTE
President
Bob's Mobile Homes
Iron Mountain, Mich.

Old definition

Your article on antiques ["All Things Past and Beautiful," August] refers to the old 1930 tariff act, which defines an antique as an item produced before 1830.

The 1967 act states that for an item to enter the country as an antique, it must be 100 years old.

In other words, the act packages together all 100-year-old-items as antiques—except paintings, which enter the United States duty free as long as they are hand executed.

Works of art less than 100 years old are defined differently, and regional customs offices can provide the information.

GRAY D. BOONE
Editor and Publisher
Antique Monthly
Tuscaloosa, Ala.

Guide to clubs

Richard H. Rush's advice on investing in antiques rightly suggests that collectors' clubs can be very helpful.



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Because such clubs are not always easy to locate, readers should consult the *New Collector's Directory* by Robert D. Connolly. Not sold in bookstores, the book is available in public libraries.

Investors will find listings not only for stamp and coin clubs and publications, but also for antique airplanes, silver art bars, jazz records, Japanese swords, glass, pewter, and hundreds of other collectibles that are increasing in value.

Articles such as John Costello's have a positive impact on the antiques market, bringing new investors into the search for the rare and valuable.

LACHLAN P. MACDONALD
Publisher
Padre Publications
San Luis Obispo, Calif.

The "superb"

In the interest of accuracy, the photo of the busy street shown on page 18 of your August issue is not located in Orlando, but is actually Park Avenue in Winter Park.

Winter Park, a beautiful city of tall oak trees and Venetian-type canals that connect four crystal-clear lakes, is located just to the north of Orlando. Park Avenue features a unique collection of shops and restaurants.

To most people in central Florida, Winter Park is known as the "superb" of Orlando.

ROGER E. PETERS
Executive Director
Chamber of Commerce
Winter Park, Fla.

Editor's Note: The editor responsible regrets the error and has left a forwarding address in Winter Park.

Real decision-makers

I have to take issue with some of the comments from people such as farmer Earl Grove, Jr., who states that one of his prime reasons for staying on the farm is that he can make his own decisions. Since when has it been possible for a small businessman in this country to make his own decisions? ("Small Business Keeps America Working," June)

I have been associated with the petroleum industry for more than 40 years and owned my own service station before retiring four years ago. I would like to point out a few areas where business owners do not make their own decisions.

The individual business person today has to produce the following paperwork without any compensation

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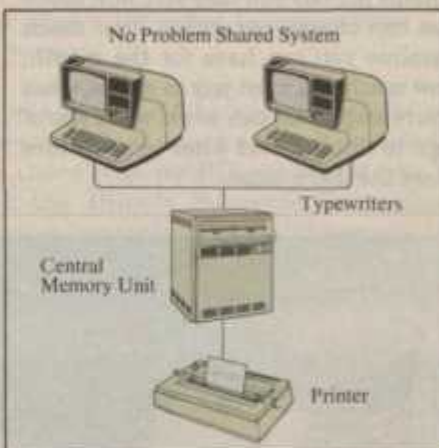
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whatsoever. Quarterly state and federal estimated tax and withholding forms; workers' compensation insurance forms annually; yearly tax forms; state and federal daily sales records, transferred to monthly sales and purchases, including all cash register tapes for the Internal Revenue Service; and tire sales forms with accompanying serial numbers to be forwarded to the Transportation Department regional office.

In addition, the government tells you what hours you may operate, how many gallons per day you may sell, how much you can charge per gallon, how much gasoline you can have for the month, how much you must pay in wages, what hours employees can work, what size of sign to display, and what temperature to set the thermostat.

You have a fine magazine but please lay it on the line as to what to expect when attempting to start a business. Believe me, it is no picnic.

H. MARSHALL NORRIS
St. Johnsbury, Vt.

Energy alternatives

In response to your editorial, "Let the Free Market System Work for Energy" [August], there are many concerned business people who do not share the assessment that the solution to the energy crisis lies at the expense of the environment.

Such phrases as "relaxing environmental standards," "making better use of energy sources on public lands," and "reaffirming the nation's commitment

to nuclear power" demonstrate a very myopic viewpoint.

Safe, clean, renewable forms of energy such as solar, wind, geothermal, and ocean current hold much more promise for the country's future. What is needed is a shift of government spending away from the 95 cents out of every research dollar going toward the dead-end nuclear tunnel.

Your editorial talks of the free market. The nuclear industry is as far from the free market as black is from white.

Let's put that 95 cents into research that will develop the technology necessary to convert the country to domestically produced, safe, clean, nonpolluting energy sources.

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ERA: Losing Battles, But Winning the War

THE PENDING EQUAL RIGHTS AMENDMENT to the Constitution has fallen on hard times. Only a political miracle could produce the additional states still needed for ratification. But an interesting thing is happening: Little by little the Supreme Court, with some help from Congress, is granting ERA proponents almost everything they reasonably might ask from the amendment itself. Opponents of the ERA are winning the ratification battles; proponents are winning the larger war.

Under the pending proposal, equality of rights under the law could not be denied by the United States or by any state on account of sex. Congress would be given the power to enforce the amendment by appropriate legislation.

The amendment resolution cleared Congress in March, 1972, carrying the usual preamble that it would become a part of the Constitution if it were ratified by three fourths of the states within seven years. Within the next 12 months, 30 states rushed into ratification. Then the movement collapsed. During the next six years, only five additional states ratified. Meanwhile, four states rescinded their original resolution of approval. In 1978, Congress reluctantly approved an extension of the ratification period to June 30, 1982. The magic number is 38 valid ratifications. Because no one can say authoritatively whether the four rescissions are constitutionally permissible, it is not clear whether the proponents need three more states or seven more states, but it may not matter. There is little to indicate that the proponents will get any more states.

If that proves to be the case, the ERA will die on the vine. Fine with me. I never have been able to discover what constitutionally is meant by equality of rights under the law. If the phrase, on account of sex, is to be precisely equated with the phrase, on account of race, the proponents might be letting themselves in for rather more equality than they truly desire. But my purpose is not to argue the merits of the amendment.

MY ARGUMENT IS that by the slow, selective process of constitutional interpretation, most of the important aims of the women's movement are being achieved. One by one, state laws are toppling; section by section, federal laws are being construed in women's favor. The Supreme Court's principal weapon is the familiar clause in the Fourteenth Amendment that says no state may deny to any person within its jurisdiction the equal protection of the laws. Under this provision, women are getting more equal all the time.

To understand where we are going, constitutionally speaking, it is useful to understand where we have

been. Back in April, 1873, the Supreme Court decided the case of *Bradwell v. Illinois*. At that time, the Fourteenth was barely five years old. Presumably the justices understood what the framers and ratifiers intended the amendment to accomplish. In this particular case, they were certain, eight to one, that the amendment wasn't intended to accomplish anything much for women.

WHEN MYRA BRADWELL of Chicago applied for a license to practice law, state officials refused to grant it. While there was no Illinois statute to bar her application, the Illinois Supreme Court found that under common law only men could become lawyers. This had been the common practice of the legal world for centuries. It could not be supposed that the



Illinois legislature had intended to adopt any different rule. License refused.

Mrs. Bradwell appealed to the Supreme Court, which affirmed the state court. Only Chief Justice Chase dissented, and he didn't explain why. The most remarkable opinion was the concurrence by Justice Joseph P. Bradley. He gazed with incredulity upon Mrs. Bradwell's argument that women have a right to engage in any and every profession.

"It certainly cannot be affirmed as an historical fact that this has ever been established as one of the fundamental privileges and immunities of the sex. On the contrary, the civil law as well as nature herself has always recognized a wide difference in the respective spheres and destinies of man and woman. Man is, or should be, woman's protector and defender. The natural and proper timidity and delicacy, which belong to the female sex, evidently unfit it for many of the occupations of civil life. . . . The harmony, not to say identity of interest and views, which

belong or should belong to the family institution, is repugnant to the idea of a woman adopting a distinct and independent career from her husband.

"It is true that many women are unmarried and not affected by any of the duties, complications, and incapacities arising out of the married state, but these are exceptions to the general rule. The paramount destiny and mission of woman are to fulfill the noble and benign offices of wife and mother. This is the law of the Creator. . . ."

VERY WELL. Mr. Justice Bradley was a male chauvinist pig, but his views accurately reflected his time. More to the point, the court's constricted interpretation of the Fourteenth surely accorded with the understanding of the Congress that framed the amendment in 1866. Times change. Justices change. And the Constitution, as all of us know, is what the justices say it is. These days the Supreme Court repeatedly is finding that women are as equal as anyone else.

In the past nine years, the court has handed down opinions in 30 cases involving discrimination by reason of sex. It may fairly be reckoned that ERA proponents lost seven of them, but two of the seven, involving discrimination on account of pregnancy, were subsequently overturned by Congress.

That leaves five defeats. One of them came in 1972, when a unanimous court summarily affirmed an Alabama law requiring a married woman to obtain her driver's license in her husband's surname. I have large doubts that if the same issue were before the court today, the same unanimity would prevail. A second defeat came in 1976, when the court refused to decree that divorced women and married women should be treated identically under certain provisions of the Social Security Act. The other three defeats came in the 1978-79 term. Two of the three cases, both involving illegitimate children, were lost by five-to-four votes; the third, *Massachusetts v. Feeny*, upheld a veterans' preference law in Massachusetts.

SO MUCH for the cases that ERA proponents have lost. These adverse decisions are overwhelmingly offset by the cases proponents have won. A major victory came in November, 1971, in *Reed v. Reed*. Richard Lynn Reed, a minor, had died, leaving a few items of personal property and a small savings account. Seven months later, his adoptive mother filed a petition in the probate court of Ada County, Idaho, asking that she be named administratrix of the estate. The adoptive father then intervened, asking that he be named administrator instead. The Idaho law at the time provided that in such cases males must be preferred to females. The Idaho Supreme Court upheld the law, but the U. S. Supreme Court unanimously reversed. While it might simplify the work of probate courts to eliminate one whole class of contests, such discrimination against women amounts to "the very kind of arbitrary legislative choice forbidden by the Equal Protection Clause of the Fourteenth Amendment," the court opinion says. As a consequence of the *Reed* decision, women now rank equally with men in probate matters across the nation.

That same year, 1971, brought *Phillips v. Martin Marietta Corp.* In this case, Ida Phillips brought suit

in Florida, complaining that the defendant company was willing to hire men with preschool children, but refused to consider women with preschool children. The Supreme Court held in a brief opinion that the Civil Rights Act of 1964 would not permit one hiring policy for women and another for men, unless it could be proved that having or not having such children "is a bona fide occupational qualification reasonably necessary to the normal operation of the particular business or enterprise."

The working woman won a further significant victory in June, 1974, with *Corning Glass Works v. Brennan*. As a consequence of several historical factors, Corning was paying its male inspectors on the night shift more than female inspectors doing the same work. The differential had arisen "simply because men would not work at the low rates paid women inspectors, and it reflected a job market in which Corning could pay women less than men for the same work" the court said. Such a differential became illegal once Congress enacted the Equal Pay Act of 1973. The court ordered the company to even things up. The case has become a solid precedent for the doctrine that women cannot be paid less than men for the same job performance.

A COUPLE OF CASES in recent years have turned on the question of age of majority. An important decision came in a Utah case involving Thelma and James Stanton. At the time of their divorce in 1960, the husband was ordered to pay \$100 a month in support for each of their two children, a girl named Sherri and a boy, Rick. When Sherri reached 18 in 1971, the father stopped payment. Utah law provided that support payments need not be made after a child reaches the age of majority—18 for females, 21 for males. The Supreme Court held the law void as a violation of the Equal Protection Clause.

A year later in *Craig v. Boren*, the court reaffirmed its view that states cannot have one age of majority for men and a different one for women. The case involved the minimum age at which a person could buy beer in Oklahoma. The significant thing about this case is that the court spelled out the standards of scrutiny to be applied in sex discrimination cases. Is classification by gender rational? Does such classification serve a compelling state interest? Is a particular law rooted in the kind of stereotyped thinking reflected by Justice Bradley's opinion a century ago in the *Bradwell* case? If so, that law cannot survive. The court rejects the old-fashioned notion that woman's place is in the home. In a few instances, women's benefits may be approved. Florida, for example, may continue to grant widows, but not widowers, an annual \$500 property tax exemption.

BUT THE TREND clearly is to this effect—that in jury service, or alimony, or standing to sue, or in most areas of social security, men and women are equal before the law.

This is the way this whole difficult issue of sex discrimination ought to be resolved. The ERA is a blunderbuss. Lawsuits and statutory amendments are rifles, capable of hitting precise targets and no others. If our purpose is to pursue justice in the large sense, this is how to pursue it. □

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THE ECONOMY

Insurance Industry Faces Congressional Scrutiny

The insurance industry will be under scrutiny in Congress this fall.

Hearings on discrimination in insurance have been scheduled this month by the House Commerce Committee's consumer protection subcommittee. The panel just concluded hearings on product liability insurance.

Also coming in the House are hearings by the Small Business Oversight Subcommittee on the General Accounting Office's investigation of state insurance regulation, and possibly a wide-ranging probe by a Banking Committee task force.

On the other side of the Hill, the Senate Judiciary Committee's anti-trust subcommittee is considering hearings on ending the industry's general exemption from antitrust law.

Congressional staffers cite polls showing public dissatisfaction with insurance industry practices. Industry representatives say inflation has sensitized people to insurance costs, and traditional methods of calculating rates are being questioned.

Also, the trend toward deregulation has led to advocacy of federal regulation instead of state regulation as a way to promote greater competition.

Observes one trade association official: "The insurance industry is one of the last frontiers for federal regulation. It's an opportunity for congressmen to make a name for themselves."

Depreciation Proposal Gathers Support

A bill designed to stimulate private investment has picked up enthusiastic support on Capitol Hill.

Introduced by key members of congressional tax-writing committees, the bill has 145 cosponsors in the House, where hearings are expected soon.

The bill, The Capitol Cost Recovery Act of 1979, is intended to promote private investment by streamlining and



Sen. Lloyd Bentsen (D-Texas), who cosponsored the depreciation reform bill, will push for Senate passage.

simplifying the depreciation of buildings and equipment. Buildings and their structural components, other than residential rental property, could be depreciated fully in ten years; machinery and equipment in five years; and automobiles and light trucks, up to \$100,000 a year, in three years.

The proposed changes would help small businesses, most of which find the present asset depreciation range system too complicated to use.

CORPORATIONS

SEC May Limit Proxy Voting Practices

Management will lose its traditional right to vote the shares of stockholders who take no stand on proxy issues, under a proposed rule by the Securities and Exchange Commission.

Management would retain discretionary authority to vote a share only if the stockholder indicates that choice on the proxy.

Valid proxies lacking such permission could still be counted toward a quorum. The proposal would not apply to election of directors.

SEC Commissioner Roberta Karmel calls the proposal an unwarranted intrusion into corporate affairs. She warns that corporations may have trouble compiling enough votes in states where proxy issues must have

the approval of a majority of the outstanding shares.

SEC Chairman Harold M. Williams defends the rule as a way to help shareholders participate more effectively as owners.

Product Liability Bill Gets Carter Backing

Legislation designed to help companies obtain product liability insurance has received administration backing and awaits action in Congress.

Developed by a Commerce Department task force, the proposal would permit the formation of groups to make insurance available to companies now unable to afford it or get it.

The legislation has the support of industries with product liability problems, but is opposed by the insurance industry, which contends that exempting such groups from most state regulation would lead to unfair competition with established insurance companies.

Groups could be formed by manufacturers, distributors, and retailers. Commerce Department officials envision these groups providing complete insurance for companies that, even with good records, are unable to get insurance, and first-dollar coverage for companies that have been forced to accept high deductibles.

Industry experts say such groups might have trouble obtaining reinsurance for three reasons: Lack of a track record for the reinsurers to examine; no provision in the legislation for mandatory insolvency funds; and perhaps too much reliance on reinsurance.

AGRIBUSINESS

Record Harvest and High Prices Forecast

The Agriculture Department predicts that this year American farmers will produce the largest crop ever of corn and soybeans and the second largest wheat crop in history.

The prediction comes at a time when the European Common Market and

the Soviet Union estimate their respective wheat harvests will be less than expected.

According to the department, the 1979 corn crop will total 7.11 billion bushels, slightly larger than last year's total of 7.08 billion. Soybean production is expected to reach 2.13 billion bushels, or 16 percent more than last year's crop. The wheat harvest should total 2.13 billion bushels, 19 percent more than the 1978 crop. The record of 2.15 billion bushels was set in 1976.

According to Howard Hjort, the department's chief economist, the result will be higher wheat prices in 1979, up by 60 cents to a dollar a bushel over 1978 prices. The production of corn will also contribute to an expected 20 to 80 cents per bushel increase.

While both the Soviets and Common Market countries expect a decrease in wheat production, reports from China indicate a record grain crop.

Grain Transportation Problems Growing

Increased grain exports have strained all transportation modes, and there is no relief in sight.

Several months ago, a task force from the Transportation and Agriculture departments told Congress that a 65 percent increase in total grain production is expected by 2000 and that transportation facilities must be upgraded to handle it.

But the Agriculture Department says the transportation and storage problems are here now. Exports of wheat, feed grains, rice, and oilseeds will reach 132 million metric tons this year. That means an additional nine million tons will have to be moved to ports and loaded on ships, the department estimates.

While shipments of agricultural commodities by independent truckers are back to normal after the midyear strike, many carriers have had to buy diesel fuel on the spot market and pay higher prices.

Additionally, fuel inventories for the railroads are below normal, and two rail carriers have consolidated trains in an effort to reduce fuel consumption. This has led to a daily shortage of 24,000 covered hopper cars.

Such shortages on land have spurred a boom in waterway transportation. But the department says barges are limited in handling increased grain shipments because of lock capacity.

SMALL BUSINESS

Self-Employed Fight IRS on Withholding

Independent contractors are waiting for congressional action on two measures that would define their tax status and provide protection from tax auditors. Some salespeople, taxi drivers, performers, writers, for example, may be affected.

The bills, which would prevent thousands of self-employed people from being classified as employees, are opposed by the Internal Revenue Service and the Treasury Department. IRS and Treasury charge that more than half of the independent contractors do not report all their income. Therefore, the IRS wants to reclassify contractors as employees of the business retaining their services, and require that business to withhold ten percent of all payments from a contractor's salary and maintain detailed records.

Independent contractors now keep track of their own expenses, income, and depreciation and file a separate form with the IRS at income tax time.

Business opponents of the IRS proposal believe the ten percent withholding requirement would serve as a disincentive to use of independent contractors. Also, they contend the IRS plan is inflationary because it would



The IRS wants independent contractors such as taxi drivers to be treated like employees for tax purposes.

greatly increase the cost of transacting business. The IRS wants to force employers to pay for the contractor's independent workers' compensation and unemployment insurance benefits.

Commerce Forms New Minority Aid Agency

The Commerce Department has created a new Minority Business Development Agency to help small and medium-sized firms. The new agency is



American farmers are producing lots of grain, but moving it is a problem. Shortages of diesel fuel and railcars have sent more shippers to barges.

OUTLOOK

GOVERNMENT

an amalgamation of the ten-year-old Office of Minority Business Enterprise and the Interagency Council on Minority Business Enterprise.

According to Commerce Undersecretary Luther H. Hodges, Jr., the reorganization will provide more technical, financial, and management assistance to larger minority-owned firms that have the best prospects for growth. But, he emphasizes, "we are not walking away from our traditional clients."

The new agency will have a \$59 million operating budget during its first year, the same level as the two groups it replaces.

Although Mr. Hodges says the reason for the reorganization is to strengthen the minority aid program, other sources believe the agency merger is a direct result of an interagency study that condemned the former minority business program for lack of assistance and capital.

FTC Hopes to Cut Merger Red Tape for Small Firms

Small businesses wishing to merge with other firms, small or large, will have less paperwork to file with the government, according to a proposed exemption by the Federal Trade Commission and the Justice Department.

The FTC wants to eliminate the prenotification requirement on transactions that involve the acquisition of at least 15 percent of a firm's assets when valued at \$15 million or less. Current law sets the level at \$10 million.

Also excluded would be acquisitions of 50 percent or more of voting securities, but only if the selling firm has both sales and assets of less than \$25 million—it is \$10 million under current law—and the acquired securities total \$15 million or less.

According to FTC sources, a staff analysis of the premerger notification law, which went into effect more than a year ago, shows that of 650 filings, many were small firms, which prompted the staff to propose higher cutoffs for exemption. The Justice Department concurs with the concept but is said to favor even higher limits.

Under the commission's plan, about one fifth of those presently required to file would be exempt. Final agency action is expected later this year.

Bill Would Restrict OSHA and EPA

Regulatory agencies would have to weigh anticompetitive effects on business before issuing new regulations, if a proposed bill becomes law.

Hilton Davis, vice president for legislative and political affairs at the Chamber of Commerce of the United States, says: "It is the obligation of regulatory agencies to consider and to minimize the potentially anticompetitive effects of their regulations, be they licensing and pricing regulations or those dealing with the health and safety of the public."

The Environmental Protection Agency and the Occupational Safety and Health Administration, are included in the bill, although neither is directly involved in economic regulation. However, both agencies can issue regulations that would severely injure the forces of competition in the marketplace, Mr. Davis says.

"The bill would compel those agencies to acknowledge the competitive implications of their regulations and to choose the least constricting alternatives."

Profit Policy Has Opposite Effect

The Defense Department's profit policy aimed at encouraging contractors to invest in cost-reducing facilities has boomeranged, reports the General Accounting Office. Since the new poli-

cy went into effect in late 1976, says GAO, average profits of some defense contractors have gone up without identifiably reducing costs, contrary to the agency's intent.

The Defense Department had hoped to keep average contractor profits at levels negotiated earlier and, through the introduction of cost-reducing facilities, lower federal costs.

One problem, GAO points out, is that too much emphasis is still being placed on estimated contract costs in establishing profit objectives. GAO also suggests that the defense agency study the profit potential more closely, establish more definitive criteria and procedures, and prevent negotiating profits significantly greater than government objectives.

INTERNATIONAL

Seabed Mining Bill Has Three More Hurdles

A bill to protect American interests in deep seabed mining of minerals has made some progress in Congress.

The bill, now out of the Interior Committee, is still being considered by the Foreign Affairs, Ways and Means, and Merchant Marine and Fisheries committees of the House.

Passage of the bill would permit companies now operating on an experimental basis to proceed with full-scale mining of nodules containing copper, cobalt, iron, manganese, nickel, and traces of molybdenum and other ores on the floor of the Pacific Ocean. The



Deep-sea mining ships may become a familiar sight if Congress decides to protect American companies against international authorities.

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OUTLOOK

United Nations Conference on the Law of the Sea has been trying since the mid-1960s to resolve the question of whether private companies may mine the international seabed solely for their own profit, but has not reached agreement.

TRENDS

Singles Have More Money to Spend

Singles may account for roughly \$150 billion, or one out of eight dollars that consumers spend for goods and services in 1979, says a consumer research report from the Conference Board.

The report defines the singles market as people aged 20 to 34 who are living alone or as couples and do not support children.

While the singles market accounts for about 12.5 percent of total consumer buying, it spends 15.5 percent of the total eating-out tabs, 20 percent of alcohol sales, 15.5 percent of car sales, and more than 15 percent of the total bill for recreation.

PHOTO: DAVID NARD—FREELANCE PHOTOGRAPHERS DUAL



Singles have a big impact on sales of restaurant meals, automobiles, alcohol, recreation, and clothes.

By size and buying clout, the most lucrative segment of the singles market consists of households headed by someone aged 25 to 34. This segment accounts for 45 percent of the total demand in the singles market.

This is an important target group for home furnishings, women's apparel, health and personal care products, vacation trips, and personal insurance. Because this group has more money to spend, dollar outlays for both recreation and personal insurance substantially exceed those of singles generally, running well above national averages.

PERSONAL

Labor Clarifies ERISA Severance Provisions

Even if severance pay plans are not considered part of a firm's pension plan, they still must meet many of the most costly provisions of the Employee Retirement Income Security Act.

In most cases, where pensions and severance plans are separate, the severance would be considered a welfare plan covered by ERISA and would have to meet the same reporting, fiduciary responsibility, and enforcement provisions of ERISA. These are the most costly parts of the program.

According to a Labor Department ruling, they would not have to meet the participation, vesting, and funding standards of ERISA pension plans.

The Labor Department, clarifying an ERISA interpretation, states that plans which provide severance pay benefits will not be considered pension plans under ERISA if the amounts and duration of the payments do not exceed certain limits. The new limits are somewhat broader than the old giving firms more leeway in handling their severance pay plans.

Tax-Exempt Bonds for Home Loans

Since the early 1970s, states and municipalities have used tax-exempt bond programs to finance the purchase of owner-occupied homes.

Congress is likely to allow this controversial use of tax-exempt bonding to continue, but will want more assurances that the beneficiaries will be lower-income, first-time buyers and those wanting to buy in blighted urban

areas. A total of \$3.2 billion worth of these bonds was sold in 1978.

Sen. Mike Gravel (D-Alaska) says: "The potential tax revenue losses to the Treasury are really quite small in comparison to the problems we could have if we choke the U.S. housing market."

Transferred Abroad? Don't Sell House

Employees being transferred to overseas locations should rent their houses in the United States rather than sell them, advises Theodore D. Bell, executive vice president of Employee Transfer Corp., a firm that is retained by corporations to assist in the transfer of employees.

The employee who returns from overseas duty after a typical two or three-year stay is likely to discover that the house he sold now costs 30 to 60 percent more, Mr. Bell says.

Household goods should be put in storage, and transferees should either buy new goods or rent furnished accommodations, Mr. Bell says.

"Moving household goods from the states to overseas places is very costly, and foreign moving services are not regulated by government agencies as U.S. movers are," he warns.

PHOTO: JUDY S. ROLEY—GRIFFITH



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As the fuel for America's economic system, profits are equally important to all shapes and sizes of business, whether on a sidewalk, in a modernistic shopping mall, or at home.



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Profits Are for Everybody

The money that is left from the costs of doing business is the lifeblood of America's economic system

By Barry Crickmer

PROFIT. Investors hope for it, economists measure it, pensioners live off it, and politicians run against it. But what is it?

In the business world, profit is what's left of the money a business takes in after all expenses have been paid. It may be stated as before-tax profit—before payment of the 46 percent federal tax on corporate income—or as after-tax profit, which is what most people think of as profit. This money is available for reinvestment in the business or distribution to the owners, when it's taxed again as income.

The most amazing thing about profit is that it exists at all. Consider a typical business: Suppliers exchange their goods, and workers exchange their labor for the company's money; consumers exchange their money for the company's products. These exchanges are voluntary. In every case, both parties to the exchange expect to benefit from it. If there were no mutual benefit, there would be no exchange.

Something left over

After all these mutually beneficial exchanges, the successful business earns a profit—there is something left over. Was it taken from someone? No. Everyone involved has more than he or she started with. So there is something new, something that exists now, but did not exist before.

Profit may be defined more broadly as what remains after the costs of production. By this definition, profit is not limited to capitalist economies. In fact, no economic system could survive without profit.

As the economics commentator of *Isvestia* once put it:

"The basic difference between the primary economic principles of capitalism and socialism does not mean that under socialism profit is no longer an economic category. As long as commodity-money relations still operate, and they do under socialism, profit is a factor . . . Lenin insisted that state-owned enterprises operate without loss, that they bring in a profit."

It is not the existence of profit, but rather its generation and disposition that differentiate the two systems.

In the broadest sense, profit is not even limited to the human sphere. Any successful organism must be able to withstand minor interruptions of its productive activity. To do that, it must produce more than it consumes in the act of production. Dispensing with profit would be equivalent to dispensing with life itself.

Sophisticated arguments about profit focus not upon the need for its existence, but on such questions as: Who makes it? Who gets it? Who decides how it will be used?

Profit in a market-regulated capital-

ist economy is a signal, an incentive, and a discipline.

As a signal, profit is very honest. It tells potential investors what the consumer wants to buy. It doesn't respond to what some people think other people ought to buy. It doesn't always react to what people say they want to buy.

The signal is tripped only when people are willing to spend money to purchase a product or service.

Big rewards, big risks

As an incentive, profit attracts capital to serve the consumer. If consumers are willing to pay well for widgets, people with money to invest will voluntarily put it into widget factories. They do so in hopes of making a high return, but there is no guarantee. Big rewards are nearly always associated with big risks. In the words of a Japanese proverb: "Where profit is, loss is hidden nearby."

Interestingly, in the series of mutually beneficial exchanges leading to profit, all the parties but one know exactly what they will get for what they give. The exception is the investor, who exchanges his capital for the chance to earn a profit.

As a discipline, profit has several functions. First, it attracts competition, which ultimately lowers prices. Where free competition is possible,

Division of National Income Before Taxes



Net Interest 6.3%
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*With inventory valuation and capital consumption adjustments.
Source: U.S. Department of Commerce.

high profits are always self-limiting.

Second, it keeps investors constantly on the lookout for more productive uses of their capital.

Third, it pressures managers to use resources with maximum efficiency and grades them on their performance.

And finally, lack of profit eliminates businesses that are inefficient or unwilling to satisfy the consumer, freeing what remains of their capital for other purposes.

Few people are aware of how extensively the profit-and-loss system culls business deadwood. Only one new business in three survives through its fourth year. There are about 8,000 formal bankruptcies annually, while many times that number of businesses just quietly disappear. The point is that profit accomplishes something useful when moving in either direction.

Profit totals for all U.S. businesses

always seem impressive because ours is a very big economy. Proportionately, however, the amount of national income that goes to business owners is rather small. And the employees' share of the income pie is increasing steadily, at the expense of profit.

This trend seems fortunate for workers, but in the long run it isn't. New jobs come from capital investment. And capital investment comes from profits. It now takes more than \$50,000 to create one new industrial job.

Not only is the owners' share of the income pie shrinking, but also it is smaller in absolute terms than it appears to be, thanks to the pernicious effects of inflation.

Taxing an illusion

Inflation can create an illusion of profit where none exists. Worse yet, the Internal Revenue Service is quite willing to tax the illusion. These paper profits appear because of the effects of inflation on inventory value and depreciation allowances.

Take the case of Acme Widgets. Because of inflation, the cost of making a widget has increased from \$1 to \$1.10. Since the selling price had been \$1.05, Acme must charge more to reflect its higher costs. So the price is raised to \$1.15.

At the moment of that price increase, the company had 100,000 widgets in a warehouse, all made at the older, \$1-per-unit cost. But now they are worth \$1.15 in the marketplace, rather than \$1.05. By the stroke of a pen—or more likely a computer—Acme's inventory has grown \$10,000 in value.

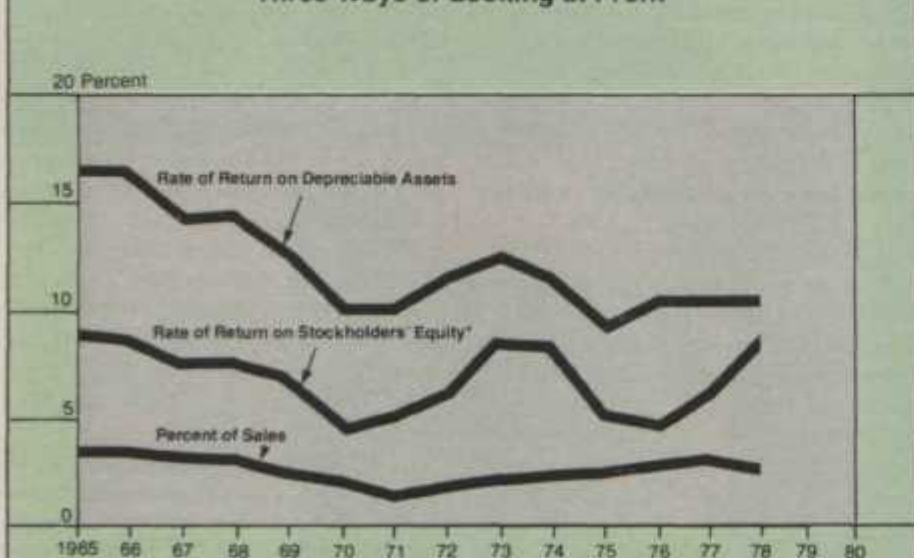
That \$10,000 looks like profit. But can it be treated like profit? Used to expand the business? Distributed to the shareholders? No. Acme's inventory must be restocked as it is sold, and the replacements will be more costly to produce. So the \$10,000 is already committed—that is, what's left of it after the IRS exacts its share.

Next year's seed

The depreciation problem is similar. Plant and equipment wear out or become obsolete and must be replaced. Prudent businesses set aside money to cover these expenses. This money is not taxed, because it represents capital, not profit. It is the seed for next year's crop.

But depreciation allowances for tax purposes are based on original costs, not replacement costs. Due to years of inflation, the replacement cost of a ma-

Three Ways of Looking at Profit



*With adjustments for inventory valuation and capital consumption.

Dollar figures for profit may be compared to different yardsticks, as they are here, but the same economic force is described by each measure.

Data: 1979 Economic Report of the President, and U.S. Chamber of Commerce.

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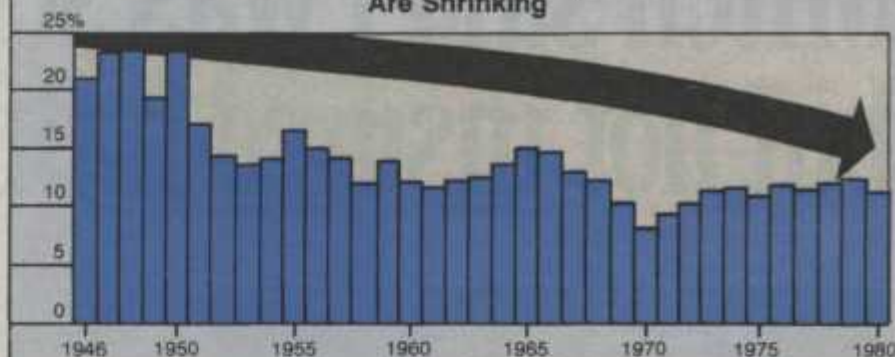
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Corporate Profits After Taxes (Compared to Employee Compensation) Are Shrinking



Data: U.S. Department of Commerce; percentages computed by the U.S. Chamber of Commerce

chine is likely to be several times its original cost. Yet only the original cost can be sheltered from taxation.

As a result, says economist George Terborgh of the Machinery & Allied Products Institute, "companies are counting a lot of capital consumption as profit, paying taxes on it and paying out much higher dividends than they think."

In 1978, for example, businesses shelled out \$84 billion to the tax man, a full \$17 billion more than they would have paid if profits had been adjusted for inflation. Dividends paid to shareholders, at \$44.3 billion, appeared to be

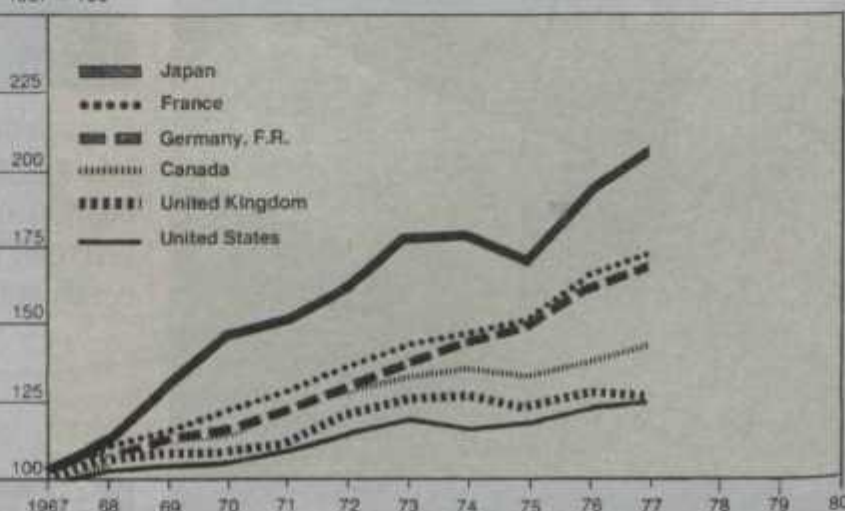
41 percent of reported corporate earnings, but were actually 67 percent of adjusted after-tax profits.

On paper, U. S. companies were able to set aside \$69 billion in 1978 to finance future growth. When that figure is adjusted for inflation and underdepreciation, the amount retained shrinks to only \$26 billion.

Even General Motors Corp., the nation's largest industrial company, is adversely affected by inflation. General Motor's 1978 annual report candidly tells shareholders that, despite a 20 percent gain in sales over the past five years, the corporation's earning power

U.S. Productivity Growth Is Lagging

1967 = 100



If U.S. manufacturing output had increased at the same rate as Japan's since 1967, the average American household would have been better off by \$3800 in 1977.

Data: Bureau of Labor Statistics

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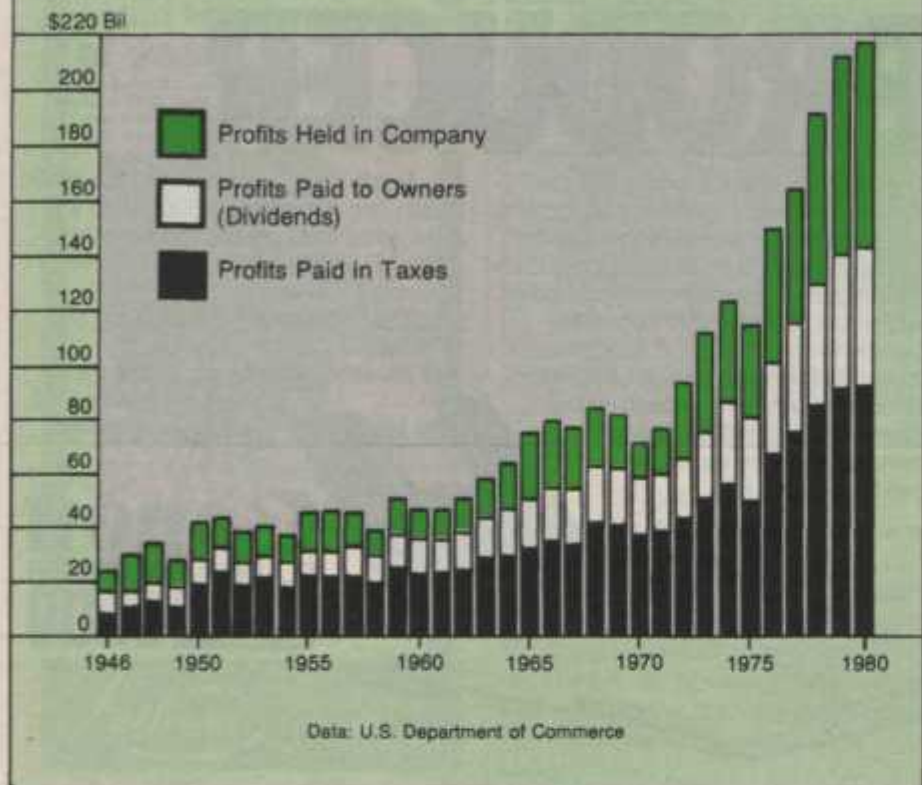
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Uncle Sam Gets Almost Half (44%) of Corporate Profits in Taxes



has not increased at all in 1973 dollars. The GM profit margin slid to 5.5 percent of its sales in 1978, compared with 10.3 percent in 1965.

Contrast that 5.5 cents profit with a recent national survey that shows the average person's estimate of what an auto manufacturer makes per sales dollar—37 cents. The public perception of profits is consistently about five times greater than the actual figures.

Ironically, when asked to state a so-called fair or reasonable profit, most people pick a figure that is two to three times the actual level of profit.

Why should the typical American care about profit as long as his own job is secure? Because the level of profit is closely related to improvements in the overall standard of living.

America's high standard of living has come from improvements in pro-

ductivity, that is, from producing more from a given amount of capital and labor.

Such improvements may come from research, which reveals new and better production techniques as well as new and better products, or from the substitution of electrical, chemical, or mechanical energy for human effort.

Capital investment pays for the research and the improved machinery. And profit provides the capital.

Most Americans are painfully aware that their standard of living is not growing as it did in the past. But not many could give the reason: U.S. productivity is not growing as fast as it once did, either.

Marked slowdown

From the end of World War II to 1969, productivity increased by about 2.5 percent every year. Since 1969, the gains have slowed until, as the President's 1979 Economic Report notes, "productivity growth in 1978 showed a very marked slowdown from accustomed rates, adding substantially to inflationary pressures and raising fundamental concerns about underlying trends." Behind these concerns is a productivity increase for 1978 of only 0.6 percent.

America's productivity is still the highest in the world, but the lead is diminishing. Most major foreign competitors have had substantially higher rates of productivity growth in recent years.

Why is American productivity growth comparatively poor? Partly because this nation's competitors still have some catching up to do. But more importantly, other countries encourage the use of profit to increase productivity. Many American policies, on the other hand, have the reverse effect.

Hidden tax burdens

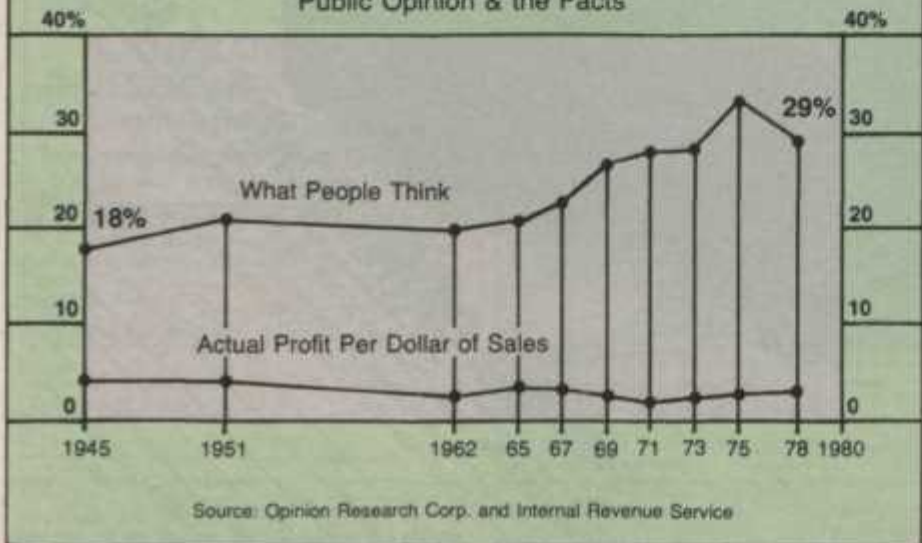
First, the federal government taxes an investor's return twice—once as income to the corporation and again as income to the investor.

Second, tax incentives to companies to use their profits for research, modernization, and expansion are inadequate. Such incentives are often called loopholes and are resented by those who don't understand their purpose.

And third, the government imposes hidden tax burdens on industries.

That third point deserves expansion. A look at U.S. productivity performance by industry shows that three sectors of the economy—construction,

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mining, and utilities—have had the slowest growth. Not coincidentally, these sectors have been most affected in recent years by increased federal regulation. In fact, the dip in productivity matches the growth in regulation almost perfectly.

Higher productivity is to a society what a salary increase is to an individual. The gain can be spent for any desirable purpose, or reinvested, without having to cut back on some other budget category.

What happens to productivity depends on what happens to profit—how much of it we are able to generate and how we allocate it.

To increase profit, the risk-and-reward mechanism must operate freely. A market-regulated economy is uniquely designed to harness self-interest to the general interest. Profit is the carrot, and loss is the stick. When each producer tries to maximize his own personal profit, resources are used with optimal efficiency and the total wealth of the society increases at the fastest possible rate. Other systems—depending on moral suasion or government coercion—are spectacularly inefficient by comparison.

Pitting selfishness against selfishness for the good of all is an ingenious device, but many people have trouble understanding or accepting the concept. And yet, the U.S. system of government is based on a similar principle.

At the federal level, the principle is called the division of power. But it goes much deeper than that. American governments at all levels are stabilized by continual, open competition for power. As an astute French observer once remarked: "If one were required to condense into a single statement the basic concept of freedom incorporated in the Constitution, one would say that the guiding idea of the Founding Fathers was to combat evil with evil. They believed that division was a natural fact of life..."

Romantic idealists

And so it is with economics. Selfishness cannot be eliminated, but it can be channeled into socially productive activities. This approach is offensive to romantic idealists who prefer to believe that people, when properly informed, will set aside their own interests in favor of the general interest. This rarely happens. Despite hundreds of years of

attempts to make men good, human beings remain a stubborn mixture of virtue and vice. Which is probably why no one has ever found a better way to increase freedom, wealth, and happiness than a capitalist economy.

"Unfortunately, this point is so poorly understood in America today that we needed to be reminded of it by two guests from abroad," says Richard L. Leshner, president of the Chamber of Commerce of the United States.

When the Egyptian-Israeli peace treaty signing brought the leaders of those nations to Washington, both men, appearing before U.S. Chamber of Commerce audiences, in Washington, D.C., and New York City, appealed to American business to help develop their countries.

"Come and be my partner," said Egyptian President Anwar Sadat.

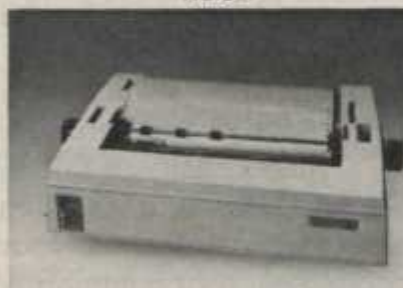
Israeli Prime Minister Menachem Begin made it plain that his government wants private companies to profit from their investments in Israel. Profit, he said, "is the secret of human progress for all walks of life." □



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The Scrap of the Century

The dispute over export controls is heating up again: Scrap dealers want to sell abroad, and steelmakers want stable supplies and steady prices

By Tony Velocci

RUSTING automobile hulks that dot the countryside are eyesores to most people, but a way to make a living for thousands who collect and sell the scrapped cars for recycling.

Aesthetics aside, all those junked vehicles have fueled a 50-year-old emotional controversy between scrap dealers and iron and steelmakers that shows no signs of being resolved.

The Institute of Scrap Iron and Steel estimates that the millions of vehicles help form a nationwide reservoir of ferrous scrap that exceeds 670 million tons. That is much more than American processors can use, according to the scrap dealers, who want to sell the scrap abroad without export restrictions.

But consumers of ferrous scrap object. Vehemently. The scrap is an energy-efficient raw material basic to the production of iron and steel, they say. Modern electric furnace mills use nothing but scrap to make raw steel.

Constantly battling

Iron and steelmakers dispute the scrap industry's claims of a 670-million-ton reserve. Charges of profiteering and price manipulating are batted back and forth.

"On an individual basis, there seems to be a good rapport between scrap suppliers and users," says Jack Beck, president of Western Iron and Metal Co., Milwaukee, Wis. "But on the trade association level we're constantly battling."

To ensure a plentiful supply of ferrous scrap at stable prices, the iron and steel industry wants the Commerce Department to control exports, or at least monitor them. Other na-



The ferrous scrap contained in junked automobiles is a valuable commodity, which is recycled by steel mills and iron foundries. Supplies of ferrous scrap fluctuate, resulting in unstable prices and a controversy over how much should be exported.

tions impose rigid controls on the export of ferrous scrap. The United States is one of the few that do not.

Under the Export Administration Act of 1969, the Commerce Department may restrict exports if they are excessive or if foreign demand is inflating domestic prices. Earlier this year, the department ruled that scrap exports met neither of these conditions, rejecting a petition by the American Iron and Steel Institute. Now, the steel industry is again pressing for governmental intervention.

The Ferrous Scrap Consumers Coalition, organized last January, says it has evidence that supports the need for controls. The coalition consists of about 900 firms, mostly small mills

that remelt scrap metal into iron and steel, and represents about 400,000 foundry and steelworkers.

Opposes controls

"We stand by our earlier decision—export controls were not needed then, and they aren't warranted now," says a Commerce Department spokesman. The department believes that prices and exports will reach acceptable levels if market forces are allowed to operate freely.

The price of No. 1 heavy melting scrap, the bellwether grade, has been fluctuating between \$90 to \$100 a ton since last spring, when it reached a high of \$126 a ton in March. Exports amounted to 8.9 million tons in 1978



Demand for ferrous scrap will increase steadily, here and abroad, as developed nations rely more heavily on electric furnaces. It takes only one fourth the energy to make steel from scrap as it does using iron ore in conventional furnaces.

and totaled about 4.6 million tons during the first six months of this year.

Scrap, a billion-dollar commodity worldwide, comes in three varieties: Industrial scrap, obsolete scrap, and home scrap.

Much of the home scrap that is recycled is produced by steel mills and iron foundries and retained for their own use. Industrial scrap is a by-product of the manufacture of finished goods and is sold back to steel mills. But the collection of obsolete scrap depends on an army of peddlers who scavenge the countryside for whatever they can cart away—old tools, engine blocks, fencing, junked autos, odds and ends.

Their incentive is the dollar; when prices are up, the collection system functions smoothly and efficiently. Generally, only severe winters, when snow buries available scrap or immobilizes freight trains, disrupt this system.

Financial inducements

"When demand for scrap falls, as it does during a recession, the collection system falters, and strong financial inducements are required to crank it back up," says James F. Anderton, president of Summit Steel Processing Corp., Lansing, Mich. Mr. Anderton is also second vice president of the scrap institute, which represents more than 1,500 firms that handle, process, or ship about 95 percent of the ferrous scrap in the United States.

"When domestic steel companies rebound, we can meet their needs without any problem because the collection system has been kept strong through exports," he says.

Scrap dealers point out that their business is subject to the same inflationary spiral that keeps nudging steel prices up. "Domestic consumers would like to buy our product for the same price it was 30 years ago, put it in a different form, and export it themselves," says Frederick Berman, president of Berman Brothers Iron and Metal Co., Inc., Birmingham, Ala.

Why restrict exports

Also, dealers ask, why should they be prevented from exporting their product overseas when finished steel is freely exported?

According to the American Iron and Steel Institute, steel and pig iron exports are increasing steadily. During 1978, about 2.4 million tons of steel mill products and 51,116 tons of pig iron were shipped abroad; during the first six months of 1979, 1.3 million tons of steel and 68,276 tons of pig iron were exported.

Another argument is that sharply fluctuating scrap prices actually reflect erratic purchases by the major, integrated steel producers.

Normally, the giants of the industry—Bethlehem and Armco, for example—do not depend on scrap because

their steelmaking process generates large quantities of waste metal, which is usually sufficient for their needs. When demand for steel products rises, however, they turn to the scrap market to augment their raw materials.

Some scrap dealers have little choice but to export. For example, scrap users on the West Coast consume only about one third of all that is generated there, according to Noah Liff, president of the institute and of Steiner-Liff Iron and Metal Co., Nashville, Tenn. "The dealers can't afford the huge costs of transporting the material inland to major steel manufacturing centers."

Weighty evidence

Herschel Cutler, executive director of the Institute of Scrap Iron and Steel, acknowledges that exports are bound to have an impact on the price of ferrous scrap, but "it's going to affect only some grades some of the time on some of the markets. Domestic demand is the key factor."

Both sides offer weighty evidence to support their arguments. A study that was completed earlier this year by Robert R. Nathan Associates, Inc., consulting economists in Washington, D. C., points out that the obsolete scrap supply is highly sensitive to changes in scrap prices. For example, a ten percent price increase would be accompanied on average by an 8.3 percent increase in the quantity of obsolete scrap supplied, the report says.

If scrap's arguments sound persuasive, steel's are just as convincing. Perhaps the only difference is that foundry and steel executives are not quite as united in their views on price and availability.

"There has to be a ceiling at which an economically viable supply can be obtained," says Irving M. J. Kaplan, secretary and vice president of Copperweld Corp., Pittsburgh, Pa. Copperweld is among the nation's ten largest cold-charged electric furnace mills.

Quips another steel executive: "Is there an enormous reserve of ferrous scrap? I guess so, if you want to count things like my new car, which I'd be happy to recycle if the price were right."

Average price

The price of No. 1 heavy melting scrap, as of Aug. 6, was \$91.83. It was selling for \$77.83 on the same date in 1978. The average price of No. 1 heavy melt for the first seven months of 1979 was \$103.99.

Bruce P. Malashevich, vice president

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\$141 million soft-drink sales with

The earnings table shown here indicates that we are having another good year. One reason is our major new Growth Center called Soft Drinks.

When we acquired Atlantic Pepsi-Cola Bottling Company this year, it more than tripled our stake in the fast-growing and

profitable soft-drink industry.

Had our new soft-drink bottling operations been owned since January 1, 1977, last year's soft-drink sales would have increased 27% to \$141 million and soft-drink operating income would have increased 41% to \$20.3 million. That's why we call it a major new Growth Center.

Growth Center in soft drinks

Our newest business, soft-drink bottling, began with the acquisition in 1977 of Pepsi-Cola Bottling Co. of Fresno, in the San Joaquin Valley of California.

When we added Atlantic Pepsi this year, it gave us two of the strongest franchise areas in the network of Pepsi bottlers, with the leading share of the soft-drink market in both areas.

Soft drinks have grown at a compounded annual rate of better than 7%. Our bottlers had increases almost double that in 1978.



Growth Center in spirits

Liggett spirits include a wide variety of growing, profitable brands, like J & B, the top-selling Scotch in America; WILD

TURKEY, the fast-growing Bourbon; and GRAND MARNIER, one of the leading liqueurs worldwide. One

trade authority named two of Liggett's brands, WILD TURKEY and GRAND MARNIER, among the "Seven Sizzlers," the fastest-growing brands of the past decade. During that 10 years, sales of both WILD TURKEY and GRAND MARNIER increased more than 5 times, while sales of total distilled spirits increased only 27%.

Liggett Group Earnings (6 Months Ended June 30, 1979)

	1979 (a)	1978 (b)	INCREASE
EARNINGS	\$21,300,000	\$16,900,000	+26%
PER COMMON SHARE	\$2.46	\$1.78	

(a) Excluding an aftertax charge for the consolidation of cigarette operations of \$3.6 million, equal to \$.43 per share, an aftertax gain from the sale of a foreign investment of \$2.4 million, equal to \$.28 per share, an aftertax charge for the relocation of corporate headquarters of \$1.6 million, equal to \$.19 per share, and higher interest income of \$1.5 million, equal to \$.17 per share.
(b) Excluding an aftertax gain from the sale of the foreign cigarette business of \$30.4 million, equal to \$3.34 per share, earnings from the discontinued foreign cigarette business of \$3 million, equal to \$.34 per share, and an aftertax charge for the write-down of goodwill of \$17.3 million, equal to \$1.91 per share.

Growth Center in pet food

Liggett pet foods are ALPO; ALPO Beef Flavored Dinner and ALAMO BRAND, two major new contenders in the dry dog food category; and the LIV-A SNAPS line of pet treats, the leader in that category with a substantial share of the business.

In 1967, ALPO became the largest-selling canned dog food in America and since then has increased its share of the market by growing 123%, while the industry total has declined.

To meet the demand for its new dry dog foods, ALPO and ALAMO BRAND, the company soon will open a new manufacturing and warehouse complex in Allentown, Pa.



Growth Center in smokeless tobacco



Liggett chewing tobacco has a dominant share of the only growing segment of the tobacco industry—up 5% in 1978, and 76% in the last ten years. Its principal brand is RED MAN, the largest-selling chewing tobacco in the world. Liggett's chewing tobacco products have grown at 3 times the rate of the industry during the past ten years.

Growth Center in physical fitness products

Diversified Products Corporation, acquired in 1977, is the largest manufacturer of barbells and other physical fitness products, ping pong tables, and basketball equipment. DP products also include exercise bicycles, volleyball equipment, soccer balls and a variety of indoor and outdoor games. In 1978, the company continued to strengthen its position as a major factor in the rapidly expanding physical fitness and sporting goods industry.

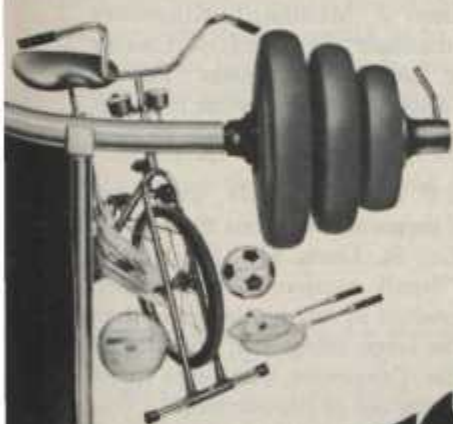
Liggett groups



\$20 million operating income opens major new Growth Center for **Liggett** Group



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Pepsi-Cola
bottling acquisition triples Liggett's position
in fast-growing soft-drink industry.**



for growth

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MURPHY'S, CAMPARI, OTARD, BERTANI, ACHAIA CLAUS, CROFT,
HENRIOT, VIN FOU BLANC, PET FOODS, SOFT DRINKS*, PEPSI L&M,
CHIK-N-SNAPS, BEEF SNAPS, MOUNTAIN DEW, CIGARETTES: L&M,
DIET PEPSI-COLA, CHESTERFIELD, DECADE, EVE, CHEWING &
LARK, CHESTERFIELD, HORSE, VELVET, GRANGER,
PIPE TOBACCOS: RED, HORSE, VELVET, GRANGER,
EDGEWORTH, 3-MINUTE BRAND, SUPER POP, BLUE LUSTRE,
RINSEVAC, BRITE.
*Atlantic Pepsi-Cola Bottling Company and
Pepsi-Cola Bottling Co. of Fresno,
Nichols & Co., Lawrenceburg, KY; Bombay, 86 proof, Grand Marnier,
80 proof; Carillon Importers Ltd., NYC. © Liggett Group Inc. 1979



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October, 1929



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of Economic Consulting Services, Inc., Washington, D. C., whose firm analyzed the impact of exports on domestic steel prices between January, 1977, and January, 1979, says:

"We found that exports by far are more important than domestic demand on the price of ferrous scrap in the United States." Economic Consulting Services has been retained by the Ferrous Scrap Consumers Coalition.

Stiff competition

Mr. Malashevich says that small mills, which comprise the majority of the nation's individual steel companies, face stiff competition from imports, large integrated producers that are less dependent upon scrap, and manufacturers of nonmetallic hardware that can often substitute for iron and steel products.

"We believe that controls would result in price swings that are less dramatic, without reducing scrap availability."

William J. Meinhard, Kingsbury plant manager for Teledyne Casting Service, LaPorte, Ind., adds: "For every \$5 a ton that scrap prices increase, our production costs go up \$.520 a ton."

John P. McCammon, Jr., vice president of corporate relations for Laclede Steel Co., St. Louis, Mo., puts it this way: "Small companies cannot sell their product at any higher price than what the large, integrated mills would sell it for. Otherwise, they price themselves right out of the market."

Another side

Scrap exports may be contributing to the balance of payments, say foundry and steel executives, but there's another side of that argument, too.

"We should concentrate on exporting manufactured goods that contain American labor, not raw materials used for products that help form the foundation of our whole economy," says Mr. Kaplan of Copperweld.

Japan is the largest importer of American ferrous scrap. It is also the largest exporter of finished steel to the United States. During the first six months of 1979, scrap exports to Japan totaled 1.8 million tons; at that rate, total 1979 exports will exceed last year's by 500,000 tons. The total would be three times the amount of American ferrous scrap that Japan imported in 1977.

Unable to generate enough scrap to feed its domestic steel industry, Japan
continued on page 62H

Is a Federal Energy Corporation Necessary?

AMERICA's oil import bill could top \$230 billion in 1990 without a successful synthetic fuels program, economist Otto Eckstein says.

For this and other reasons, the nation must develop its own energy resources. And there is widespread support within the energy industry for limited forms of government aid such as tax incentives.

But is the federal Energy Security Corp. proposed by President Carter the way to go? About that, there is little agreement.

The corporation would be funded with \$88 billion, most of it from the proposed windfall profits tax on the oil industry. Its mission would be to produce enough liquid fuel from alternative sources such as coal and oil shale to reduce petroleum imports by 2.5 million barrels a day by 1990. It would try to do this through price and loan

guarantees, direct loans, federal purchase agreements, and a limited number of government-owned plants, operated either by the government or by private contractors.

Proponents of the corporation believe that private industry will not do the job on its own because of the big risks and even bigger costs of synfuels development.

Opponents say that private development would be stimulated if the government decontrolled gasoline and all oil prices and provided the right combination of tax incentives.

In addition to the many problems usually faced by a new industry, OPEC may cut prices to destroy any developing competition. The same threat could arise by accident rather than design, if high retail prices cause a sufficient drop in demand to leave the world temporarily awash in conven-

tional fuel. Also, consumerists suspect that the major oil companies aren't anxious to develop synfuels that will compete with their primary business.

Technical experts point out that synfuels production cannot make a significant contribution to U.S. energy needs before 1985 at the earliest, and even then probably not to the extent envisioned by the administration plan.

Some business executives have questioned the wisdom of taking money from the energy industry, running it through a new government bureaucracy, then giving what's left back to the industry to promote synfuel production. Also, business executives fear the establishment of a precedent that might lead to nationalization of the oil industry.

What do you think? Is the federal Energy Security Corp. necessary to develop the synfuels industry? ☐

PLEASE CLIP THIS FORM FOR YOUR REPLY

Wilbur Martin, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Is a federal energy corporation necessary?

☐ Yes ☐ No

Comments:

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Title

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Company

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Readers Want Prime Time for Business

IN THE BEGINNING, there was the First Amendment's guarantee of freedom of speech. Then came television, the Federal Communications Commission, the Fairness Doctrine, and a controversy over whether or not businesses are entitled to that freedom.

The Supreme Court has ruled that they are. But both Kaiser Aluminum & Chemical Corp. and Mobil Oil Corp. were turned down by the three major commercial television networks when they sought to buy air time to express their opinions on today's issues.

In August, NATION'S BUSINESS asked the question: "Should private opinions get air time?" If the networks were run by the respondents, Kaiser and Mobil wouldn't have any trouble getting their views on TV. Private opinion access to air time was favored by a nine-to-one ratio.

Al Scott, chief executive officer of the Safari Drilling Corp., Abilene, Texas, is a member of that majority. He says: "The free market concept works equally well with opinions as it does with products. To allow only politicians and the TV network news departments access to the media is producing not only an uninformed public but usually a misinformed public."

Thomas H. Kenton, Jr., vice president of Fruin-Colnon Corp., St. Louis, Mo., favors business access to air time. He suggests that instead of continuing to support television via their advertising dollars businesses should "hold out a couple of months. Then the networks would let them say anything they wanted to."

"It's time the United States woke up and took the plight of our business system seriously," says Kenneth E. Wasoba, executive director of Junior Achievement of Springfield and Sangman Valley, Inc., Springfield, Ill. "Informing the public is a media service. Government advertisements are aired free as public services by the media. The corporations offered to pay for their air time. The First Amendment must be recognized."

Stifling Expression, Denying Access



As president of the Jefferson-Pilot Broadcasting Co., Charlotte, N.C., Wallace J. Jorgensen has a vested

interest in the Federal Communications Commission's interpretation of the Fairness Doctrine.

He believes that private opinions should get air time. "Refusing to permit private opinions on the air is a stifling of expression and a denial of access—in clear violation of the spirit of the First Amendment."

"To those broadcasters who hide behind the Fairness Doctrine and declare that opening the air to private opinion would require them to allot time for other viewpoints, I ask: What's wrong with that?"

"I am not concerned that extending First Amendment opportunities will harm broadcasters or anybody else. To the contrary, the rights and freedoms of all of us will be that much more secure."

A similar view is expressed by Robert L. Thompson, Jr., director of public relations for Springs Mills, Inc., Fort Mill, S.C. "It's strange that corporate viewpoints are not acceptable to the same networks that accept singing commercials telling us to look for the union label."

Leah M. Johnson, media buyer for Conklin Co., Minneapolis, Minn., voices an argument for the opposing side. She says: "The only opinions that would be heard would be those of the richest and most powerful companies. And they already have enough methods of influencing public opinion."

Oral K. Wells, a partner in Gill & Wells, Fairfield, Ill., votes with the majority. He reasons that "if broadcasting companies are going to give President Carter air time, certainly intelligent people ought to be able to buy time. Then we might truly know what is going on."

"The networks should have a certain amount of time set aside for just such a purpose," comments James D. Mar-

shall, broker for E. G. Stassens, Inc., Gresham, Oregon. He suggests that the cost of the air time be set at below normal rates. Furthermore, he says, "I personally would prefer private opinion to *Mork and Mindy*."

According to Howard C. Sherman, an architect with Somdal Associates, Shreveport, La., "the very things Kaiser wanted to say are a rebuttal to the liberal views promoted by the networks every day. If the Fairness Doctrine were working, the networks would have to give the time to Kaiser."

Paul J. Mitchell, vice president for corporate affairs at Carl Karcher Enterprises, Inc., Anaheim, Calif., agrees. "Viewing and reading and hearing the way business is presented to the public, I don't see why business should not be allowed its ups at bat."

Robert D. Smith, manager of J. C. Penney Co., Shenandoah, Pa., is against air time for private opinions. "If everyone is allowed to air their opinions, there won't be any time left for TV programs." □

Millionaire tells how

You Can Make a Fortune Buying Properties

...with little or no cash!

Isn't it about time you personally took steps to cope with inflation and use it to create wealth for you instead of standing by helplessly while it drains your paycheck?

by Mark O. Haroldsen

Specifically What You Can Do

I'm not going to bore you with a lot of words or claims to sell you something. I want you to know right away, something you can do to profit substantially from inflation.

It's so basic and easy to do, that many investment analysts and professional consultants overlook it. It is simply this: Go out and buy a second house. It's really quite simple to do.

You're probably thinking, "What do you mean, buy a second house? I'm having enough trouble hanging on to the one I have!" I'll show you exactly how it's done and how you can do it, as I have done it many, many times, even if you don't have any extra money. People, like you, are doing it every day.

Why A Second House?

If you own a home now, you already know what inflation is doing for you. Buying a second house is one of the best ways you can profit from inflation. Why? Because of the tremendous advantages of owning property. It not only rapidly and dramatically increases your net worth because of inflation, but it produces extra income as well while actually decreasing the amount of income taxes you pay on your regular income.

Do It Now

I strongly recommend you buy at least one extra home or income property immediately, so inflation can begin to act upon the property. Get a renter to do all of the following for you: make the payments, pay the interest, taxes, insurance, and the upkeep. By increasing the rent, you'll even have money left over each month. This is usually tax-free extra income each month.

What Inflation Will Do For You

Last year houses went up in value by more than 12% on the national average.

When you buy that property with the lowest down payment possible, that 12% increase can actually increase your wealth by 40 to 50% per year, and even as high as 100%. I'm not throwing these numbers around wildly. I know what I'm talking about, because I've done it! My success in doing this, along with the accomplishments of many others, has been reported and written up in many of the country's leading newspapers and magazines.

What If Inflation Stops?

If you'll really think about it, inflation is a built-in part of our economy. It's been with us a long time and always will be. The rate of inflation is what politicians and business leaders are trying to control. Why not concentrate on making inflation, whatever the rate, your friend instead of your foe?

Step-By-Step

I have written down my formula that is based on my own experience, in a volume called **How to Wake Up the Financial Genius Inside You**. This volume is

concise, easy to read, and will show you step-by-step how to do the following:

- How to buy income properties for very little or no money down
- How you can easily start in your spare time
- Why there are still bargains to be bought today
- How to find a bargain, and if you can't find one, how you can negotiate one
- How a young couple can easily buy their first and second home
- Put cash in your pocket each time you buy (without selling any property)
- Double your profits every year
- Get huge profits out of run-down properties
- The key to financing properties without going to regular lending institutions
- Legally avoid State and Federal Income Taxes, almost indefinitely
- Turn a mortgage into a tax shelter

You see, I can show you all this and show you specifically step-by-step how to do everything I've talked about, because I have actually done it all myself!

And more importantly, I am practicing what I am preaching to you this very day.

Many Others Have Done It

Let me make one thing very clear. I am not the only person that has made a fortune doing what I'm talking to you about. You probably know many people within your own town, maybe even in your own family, who are rich because of real estate.

Here are comments from a few people from around the country that have followed my formula:

- "Your materials cost me \$19.50. From their contents I will receive a net profit within the next 18 months of about \$125,000."
— Gary Weaver, San Gabriel, Calif.

- "I am 27 years old, married, with one son. We have wanted a nice home for several years, but we never could seem to get out of debt, much less save up a down payment on a new house. The very day I got your book, I read it from cover to cover. Later that afternoon, I used an idea I got from your book to buy the house we had been wanting. It is a beautiful house, complete with a heated pool and all the works. The idea was so simple that I couldn't believe how well it worked. I firmly believe that in a few years, I too will be worth at least \$1,000,000."
— Emmett G. Godfrey, Bessemer, Alabama

- "As a result of just looking around and talking to realtors I found my first house (a roughly divided duplex) at a bargain. The owner was willing to finance about 85% at 11% interest. Before I could even close I had several people call wanting to rent. I have a good positive cash flow (about \$80 over the note) and am looking for other properties and ways to finance. I suppose I knew it was possible to make this type of investment. I even had a vague idea about the tax advantages. But I just didn't realize how easy it could be until I read your book."
— Michael E. Burford, Mississippi

If you're like most people, you're probably skeptical, especially when I'm going to ask you to make a check out for \$10.00 (\$9.50



Mark O. Haroldsen spent four years perfecting a "wealth formula" that harnesses runaway inflation and became a millionaire in the process. More than 400,000 people have discovered how his method can lead them to total financial freedom.

less than Gary Weaver paid) and send it to me and receive your own copy of **"How to Wake Up the Financial Genius Inside You"**. I really don't blame you for your skepticism, because of the many people in this world trying to deceive others.

It's Guaranteed

I hope to overcome your skepticism by guaranteeing that you'll be satisfied that the \$10.00 you'll spend will give you a complete game-plan and the knowledge you need to overcome the effects of inflation, and put it to work for you, instead of against you.

To Back Up This Guarantee

To back up this satisfaction guarantee, I would like you to postdate your check and circle the postdate. I will not be able to cash or deposit your check until you have had (for at least those 30 days) a chance to look at the material I sent you. If for any reason you are not satisfied with my material, send it back, and I will promptly return your own uncashed check or money order.

Your Own Financial Freedom

FIRST — I know anyone who wants to be financially independent today, **can be** if they follow the right game-plan, and I have developed a proven game-plan that has worked for me and many thousands of others. SECONDLY — I will live to the letter and spirit of my guarantee, so don't lose by procrastinating. Do something today. Start by ordering my material. Begin NOW to "capitalize" on inflation instead of being hurt by it.

If you send your order to me within 30 days of the date of this publication, I will also include additional material showing you how you can borrow from \$20,000 to \$200,000 at 2% above prime rate, using just your signature as collateral. To order **HOW TO WAKE UP THE FINANCIAL GENIUS INSIDE YOU**, send \$10.00, check or money order to me, Mark O. Haroldsen, Inc. Dept. AA212, Market Place Park, 2612 South 1030 West, Salt Lake City, Utah 84119.

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*by Robert M. Amos, Manager Corporate Transportation
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Every Candidate Needs a Landslide of Dollars

By Vernon Louviere

THE LATE WILL ROGERS once said: "Politics has got so expensive that it takes a lot of money to even get beat with."

In next year's national elections, both major presidential candidates will spend at least \$50 million each. Congressional candidates will lay out another \$200 million. Add these sums to the amount spent in the thousands of state and local elections and the total reaches incalculable heights.

Still, it all comes to only a few dollars for each man, woman, and child. Americans spend less on electing their national officials than they do on fingernail polish or garden hoses.

For the politician of bygone days, stump speeches and billboard advertisements were often enough to get elected. Today's quest for office is a sophisticated exercise in communications. There are polls, TV commercials, consultants, speech writers, direct mail solicitations, computers, posters, brochures, newspaper ads, and the ubiquitous telephone.

Tougher job

Business people are recognizing that there is a real chance to win many crucial races next year. The answer, they say, is more active involvement at all levels of the political process.

Meanwhile, political spending sets new records with each successive election, and the people who raise the money complain that the job gets tougher and tougher.

In federal elections, campaign reform laws greatly restrict the manner and amount of fund-raising. Huge lump-sum contributions are out. Strict accounting is the law. Far more voters must be tapped to raise the same

PHOTO DENNIS BRACE—BLACK STAR



The big smile and the waving hand is a standard pose of all politicians on the campaign trail. In this jet age, so is the quick airport stop, with time only for a brief press conference, speech, and flurry of handshaking.

amount of money. Such venerable institutions as the \$100-a-plate dinner are no longer enough to meet campaign needs.

Because of the rigidity and complexity of the federal election campaign laws, fund-raising has been forced out of the shadows. As John Sears, campaign manager for Ronald Reagan, the undeclared Republican presidential candidate, says: "In the old days, the first person you'd hire for a campaign was a good speech writer. Now the first guy you hire is a good lawyer, the second is a good accountant."

The people who raise money for presidential candidates are crying the same blues as those seeking funds for congressional and other political offices. One difference, however, is that qualified presidential hopefuls can tap a new money supply. A 1971 law allows taxpayers to earmark \$1 of their taxes as a contribution to presidential and vice presidential candidates.

To qualify, each candidate must raise at least \$5,000 in individual contributions of \$250 or less in 20 states. Qualified candidates can receive one dollar for every dollar they raise independent-

ly, within limits. In the 1980 elections, candidates will be permitted to spend up to \$15.8 million each in primaries and up to \$31.7 million in the general election. Half of this primary financing will come from the U. S. Treasury in the matching funds plan.

Millions of \$1 donations

President Gerald Ford and candidate Jimmy Carter were the first beneficiaries of the new fund. Each received about \$21 million for general election spending. The fund now has more than \$100 million. However, fewer taxpayers are checking off the \$1 donation on their tax returns now.

Because of the large number of presidential candidates—mostly Re-

publicans at this point—squaring off for next year's primaries, there could be a substantial drain on the fund. Technically, each one may qualify for the almost \$8 million set aside for primary candidates.

Robert Keefe, who was campaign manager for Sen. Henry Jackson (D.-Wash.) in his bid for the Democratic presidential nomination in 1976, and who now heads up a government affairs consulting firm in Washington, D. C., wistfully recalls what it was like before fund-raising reform:

"I'm not saying that fund-raising was easy. But a candidate able to attract funds could do it in bigger chunks. One could sit down with half a dozen men in a room—or with a single

contributor for that matter—and come up with a large chunk of money. Today, you get half a dozen people in a room, and they give checks totaling \$12,000 if they are married and have joint accounts and can prove the wife controls 50 percent of the bank account."

Cash flow critical

Cash flow, according to Mr. Keefe, is becoming critical in today's presidential campaign. Having money at the right time and in the right place is becoming more difficult. The airlines, the telephone companies, the newspapers, and television stations are no longer carrying candidates on the cuff.

"The treasurer, the comptroller, and the accountant are damned important," Mr. Keefe says. "A little bit of guts is required to make things happen. The campaign teams that have the cleverness, creativity, and courage to make the cash flow happen at the right time will enjoy the payoff."

Mr. Keefe says the strategists who fashion successful political campaigns today must not only be steeped in knowledge of the law and government regulation, but also know how to work creatively in money management.

The Hamilton Jordans, the Jody Powells, and the Jerry Rafshoons got the credit for electing Jimmy Carter, says Mr. Keefe, "but it was the boys and girls in the back shop in Atlanta who kept the money available for the Carter campaign to keep going. They turned a campaign plane, for example, into a positive cash flow. They persuaded vendors to extend them credit to the best advantage. They deserve the hero badges, too."

Honored in the breach

Political fund-raising has not always been the most honorable of professions. Many contributors expected and often received some office or reward for their dollars. The first real effort to clean up fund-raising was the passage of the Tillman Act in 1907. This law, a campaign pledge of President Theodore Roosevelt, set the first limits on how much could be raised and spent by a candidate for the House of Representatives.

In 1925, the Federal Corrupt Practices Act broadened restrictions on campaign financing. However, these laws were more honored in the breach than the observance until the Federal Election Campaign Act of 1971. That law, with later amendments, set up the Federal Election Commission. The

Politicking Around the World

In Britain, a candidate who wins a seat in the House of Commons can lose it if he falsifies his report on campaign spending.

In Japan, candidates for various political offices receive free posters, limited advertising, and a car for electioneering. The government picks up the tab. In Canada, radio and television stations must sell six and a half hours of prime time to political parties during a campaign. The government pays half the cost.

Many Free World countries have subsidized political campaigns in one form or another over the years. The United States permits taxpayers to earmark \$1 on their income tax returns to help defray the costs of electing the President and Vice President. Public financing of congressional offices was voted down in Congress because of opposition to further governmental intervention in the political process.

Herbert E. Alexander, director of the Citizen's Research Foundation at the University of Southern California, has found that government subsidies as well as regulations governing fund-raising and spending vary considerably by country.

A candidate for the British House of Commons is allowed to mail free of charge one communication weighing not more than two ounces to every voter in his constituency. To show he is a serious candidate, he must post a 150 pound (\$337) deposit. The deposit is returned if he receives at

least 12.5 percent of the votes cast.

In France, political parties enjoy no special status and cannot legally receive outside contributions. Parties are expected to be financed solely by members. Candidates receive modest government financial assistance.

Business federations play an informal role in financing centrist and conservative parties in many countries; they are especially significant in Austria, West Germany, and Japan. By contrast with more liberal parties, which have a low propensity for formal party membership, the conservative and centrist parties in these countries are usually highly organized and well staffed, reflecting the business influence.

Some political parties in Finland operate businesses to help finance party activity. When Finland adopted public funding of elections, the major political parties were required to reduce the number of outdoor posters plugging candidates, and political hopefuls were induced to share billboards.

Politicians in communist countries have none of these problems. Running for office without opposition makes it unnecessary for them to spend money selling themselves to the citizens, who are required by law to vote. In some countries, the penalty for not voting is jail.

And, of course, politicking is least expensive of all in dictatorship countries that have neither candidates nor elections.

primary problem with previous campaign finance laws—both state and national—was vagueness. The reporting requirements were thick with loopholes and capable of multiple interpretations.

As a result, many candidates reported their contributions and spending as they saw fit. With few exceptions, those who reported expenditures in a general fashion or who omitted certain contributions got away with it.

Thus, a candidate might tell a state campaign board that he spent \$100,000 on a primary, when in fact he spent ten times that much. Or an officeholder might omit actual spending figures in a report to the Senate but tell his home state he had more than \$3 million in campaign expenses.

Largely obliterated

Enforcement of the federal law through the Federal Election Commission and tougher state statutes have already done much to clarify what must be reported and when. The ins and outs of the campaign finance laws were thoroughly explored at a recent two-day seminar conducted by the American Enterprise Institute for Public Policy Research in Washington, D. C. Participants agreed that the free-wheeling, no-holds-barred style of financing political elections has been largely obliterated from the American scene.

Also, severe restrictions on campaign financing at federal and state levels have altered the art of fund-raising and campaign spending. While the fund-raisers may carp at these developments, they are still finding ways to encourage contributors to open their wallets and pocketbooks.

Direct mail solicitation for political purposes has become a major industry as a result of the election reform movement. Voters who have never contributed financially in the past will respond to a direct mail appeal if it hits a sympathetic chord. Among the beneficial by-products of this kind of solicitation is substantial broadening of the contributor base. Contributions of \$1 and \$5 are not uncommon.

Proliferation of PACs

The new laws have allowed the growth of political action committees, whereby people with a like interest in issues and candidates can join together and support with money or services the candidates they feel best represent their views. Most give only money.

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A PAC that makes no direct contributions to a candidate is the National Chamber Alliance for Politics, which involves itself only in congressional races. It provides research and other services to selected candidates on a nonpartisan basis.

PACs, of course, are not new. John L. Lewis of the United Mine Workers is credited with establishing the first PAC more than 40 years ago—the Nonpartisan Political League. When the AFL and CIO merged in 1955, the Committee on Political Education was born. COPE has served as the model for virtually all political action committees since.

Employee participation

In the early 1960s, business and professional organizations began setting up their own PACs. Among the early ones were the American Medical Political Action Committee, the Business-Industry Political Action Committee, and the Forest Products Political Committee.

About the same time, individual corporations began eyeing the PAC movement as a way to encourage employees to take part in political fund-raising.

How to Run With a PAC

How do you organize a political action committee? What are the legal pitfalls? Do PACs pay off?

These and many other questions involving the formation and operation of PACs are discussed at two-day seminars being conducted throughout the nation by the Chamber of Commerce of the United States.

The first day is open to both U. S. Chamber members and nonmembers. Registration fee: \$100. The second day is for members only.

For additional information, call John Sheehan, National Chamber public affairs department, 202-659-6152.

The schedule: Oct. 18-19, Cincinnati, Ohio; Nov. 1-2, Pittsburgh, Pa.; Nov. 6-7, Minneapolis, Minn.; Nov. 8-9, Denver, Colo.; Nov. 15-16, Boston, Mass.; Nov. 28-29, New York City; Jan. 8-9, Houston, Texas; Jan. 10-11, Dallas, Texas; Jan. 14-15, Atlanta, Ga.; Jan. 24-25, Oklahoma City, Okla.; Feb. 5-6, Newport Beach, Calif.; and Feb. 7-8, San Francisco.

The first company PACs began in California and focused on state elections. Some of the pioneer companies included Union Oil Co., Dart Industries, Hughes Aircraft Co., Southern California Gas Co., and Pacific Lighting Corp.

PAC momentum picked up after a 1975 Federal Election Commission decision clarifying the right of corporations to solicit contributions from employees and stockholders. According to *Congressional Quarterly*, there were 1,938 PACs in operation during the 1978 campaign; about three quarters contributed funds to candidates for federal offices.

"While business is by no means as single-minded as labor about where it stands and what it wants, the trend of expressing corporate behavior through PACs suggests a sharpening of political consciousness in the business community," says Prof. Edwin M. Epstein, chairman of the Political, Social, and Legal Environment Group at the University of California at Berkeley.

This keener political awareness in the business community and involvement with PACs is hailed by Hilton Davis, vice president of the Chamber of Commerce of the United States for legislative and political affairs.

"For the first time in decades, many business people feel it is possible to elect a Congress oriented to the basic economic needs of the nation. This is especially true in the Senate," he says.

Business PAC contributions have been a small part of any election's total. The U. S. Chamber is in the forefront in encouraging the formation of more business PACs.

In 1978, business and labor PACs contributed only 16 percent of all campaign gifts. Business gave just four percent of this amount.

Labor has been critical of the growth of business PACs. But labor spending is rising sharply, and it also contributes massive amounts of manpower to candidates.

By law, a PAC can contribute no more than \$5,000 to a candidate in a single election. A bill now before Congress would not only cut that amount in half, but also prohibit a candidate from accepting more than \$50,000 in total PAC dollars. Critics claim that the proposal is nothing less than an incumbent's welfare bill. Challengers usually spend far more than incumbents in trying to offset the inherent advantages of holding office.

The reasons for organizing PACs are almost as varied as their numbers. Bernadette A. Budde, director of politi-



The campaign of any candidate ends here, in the voting booth, where the citizen decides who will win.

cal education for the Business-Industry Political Action Committee, points out:

"It was not the Federal Election Campaign Act and the Federal Election Commission that promoted the PAC movement; it was every other law and regulatory body that began intruding into the business of business.

"A clear pattern emerges when reviewing who does and does not have a PAC. The more regulated an industry, the more likely it is to have a political action committee," she says. "As the government moves closer to partnership with an industry, the result of that liaison is a PAC, mothered by industry, but unmistakably sired by government."

Variety of industries

Miss Budde ticked off railroads, utilities, oil, timber, paper, banks, savings and loan associations, drug companies, and government contractors in the aerospace industry; all have a high proportion of PACs.

Will the voice of business drown out other interests? Will corporate political activity overshadow the influence of organized labor? Michael J. Malbin, a resident fellow at the American Enterprise Institute, offers this assessment: "Given the small size of the average corporate contribution—a measly \$505 each for the top 25 compa-

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nies—and the diversity of business interests in this country, there seems little danger in the real world of excessive control by any one set of interest groups.

"If business acted as a monolith, there might be more cause for concern."

Clark MacGregor, former Republican congressman from Minnesota, former chairman of the Committee to Re-Elect President Nixon, and now vice president of United Technologies Corp., has been personally involved in political fund-raising for many years.

"Until contributions of business PACs come to 20 or 25 percent of the total amount contributed to political candidates," he says, "I see no cause for concern about an inordinate voice for business in the American political process. Any assertion that five cents out of every dollar will give the contributor inordinate influence is ridiculous on its face."

Mr. MacGregor, who is chairman of a PAC organized by United Technologies in 1976, predicts that the number of business PACs will grow, but their share of total campaign contributions will remain fairly constant.

Contrary to popular belief, not all PAC money raised by business is channeled into Republican campaigns. Substantial amounts are directed at reelecting Democratic incumbents in the House and Senate. On the other hand, almost every dollar raised by labor-oriented PACs is used to elect or reelect Democrats.

Why is not important

"The question of why business contributes to Democrats isn't important," Mr. MacGregor explains. "The important question is which incumbent Democrats. If you look at the ones we support, you'll find that more of these Democrats rank higher in probusiness or conservative voting ratings than Republicans."

Walter K. Moore, former Washington director of the National Committee for an Effective Congress, complains that the average American is simply not moved to contribute to a political campaign.

"Americans traditionally don't give to politics. Despite tax breaks and the like, we do not see the benefit of giving to a deserving candidate in the same way as we see giving to the Red Cross,

the American Cancer Society, or United Way, even though political decisions are more likely to have a direct effect on one personally than any of these groups."

Problems inherent in political fund-raising have dogged the American politician since before the birth of the Republic. Even George Washington was accused of campaign irregularities. His opponent in the 1757 campaign for the Virginia House of Burgesses alleged that Gen. Washington doled out to voters 28 gallons of rum, 50 gallons of rum punch, 34 gallons of wine, 46 gallons of beer, and a quantity of cider royal.

What would have happened to the nascent nation if the kinds of rules and regulations now governing political campaigns had been in effect then.

Mr. Keefe has one answer: "If Gen. Washington had to fight the Revolutionary War by the standards of the campaign finance act, we'd still have a king, and we wouldn't have to worry about raising money for political campaigns."



To order reprints of this article, see page 56.



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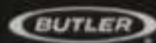
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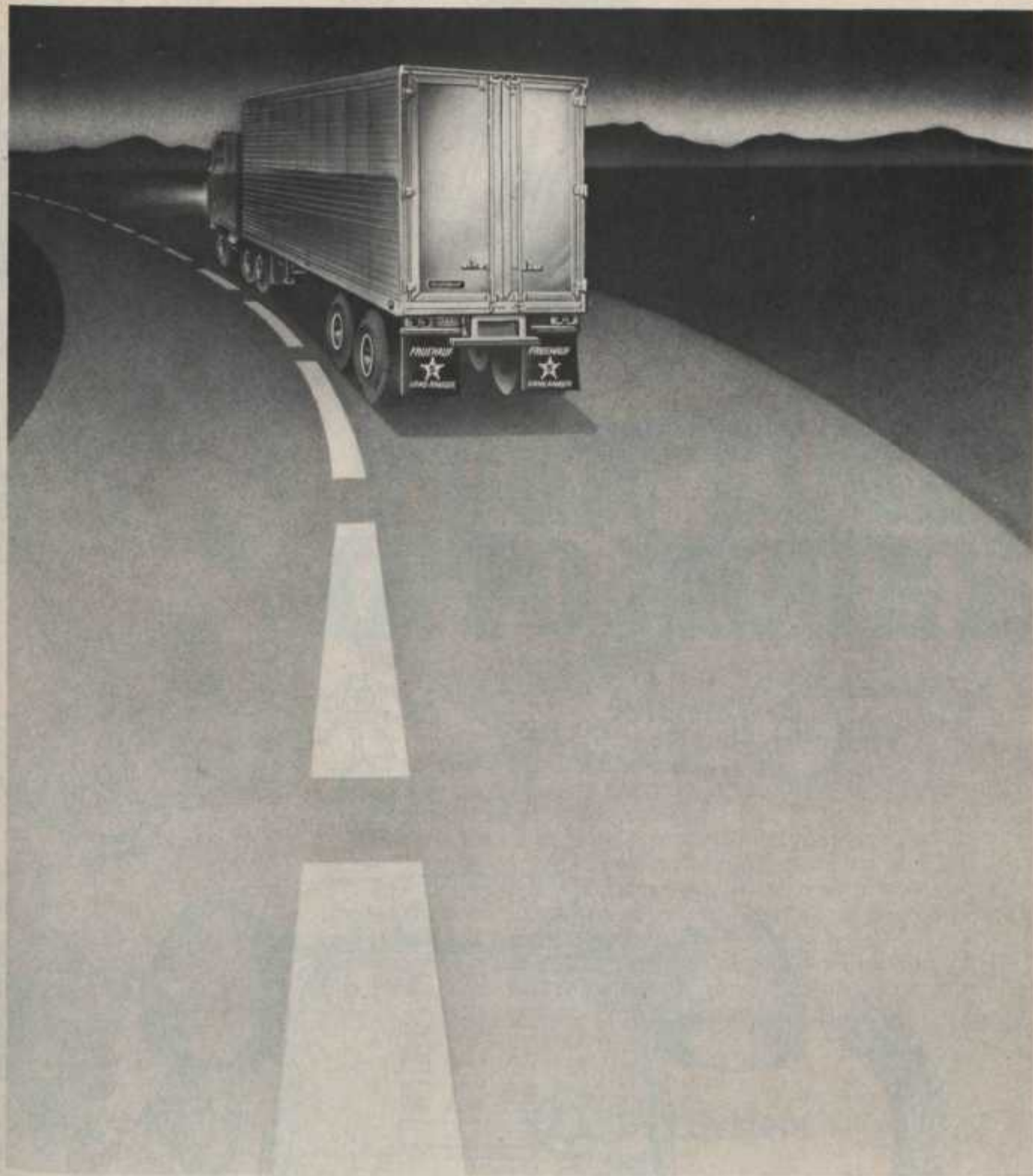
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Nearly 38,000 communities depend solely on the trucking industry for goods and services. On a national scale, 3 out of 4 tons of freight move by truck. In fact, just about all of

our food, clothing and furniture move all or part of the way in trucks and trailers.

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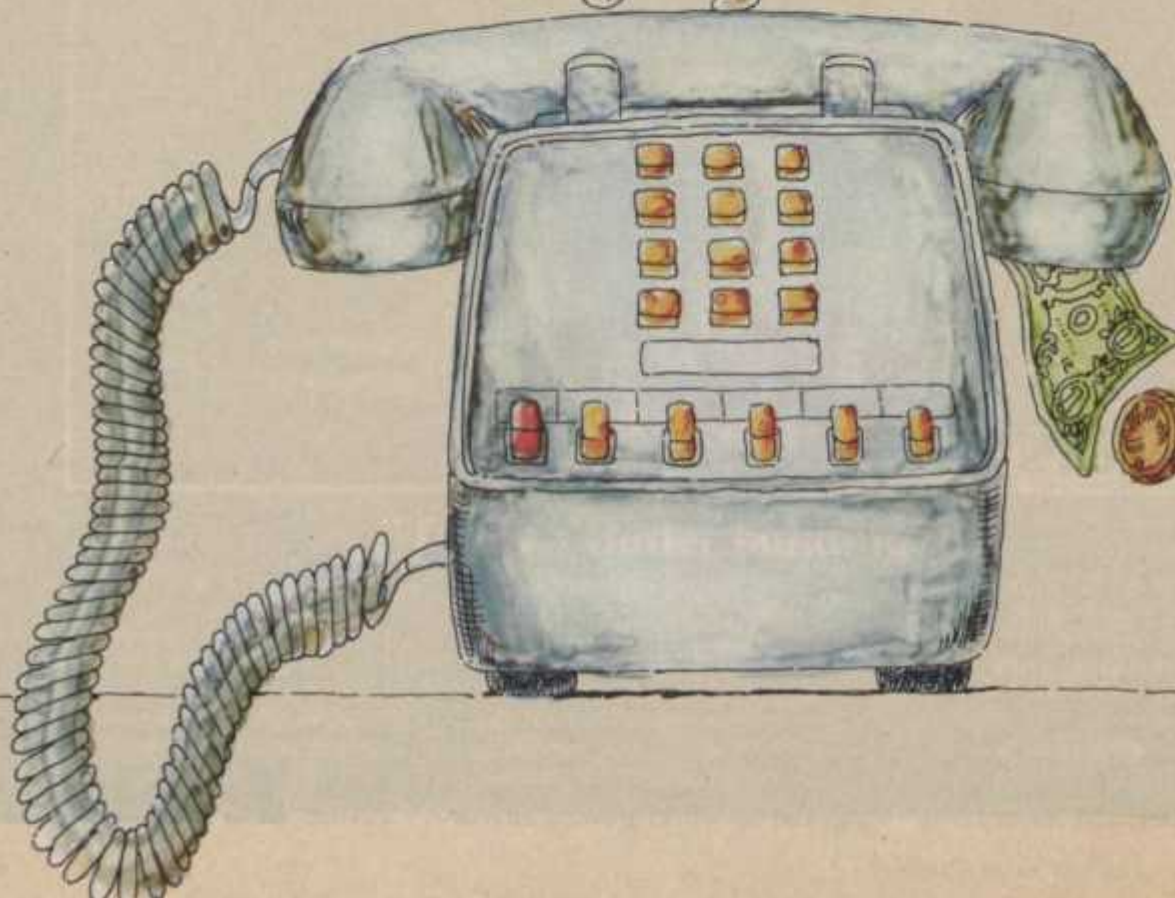
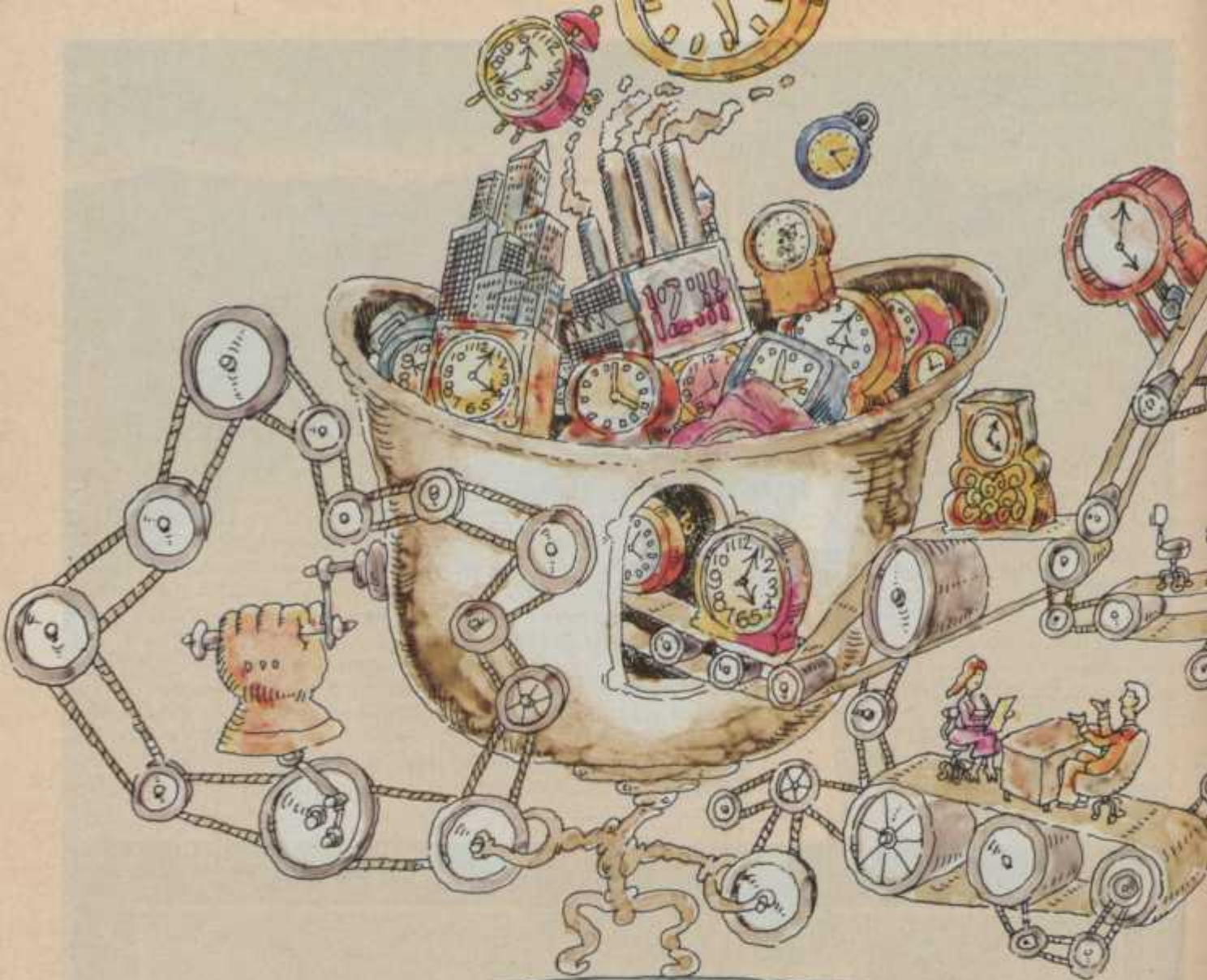
With a new decade approaching, and our world growing increas-

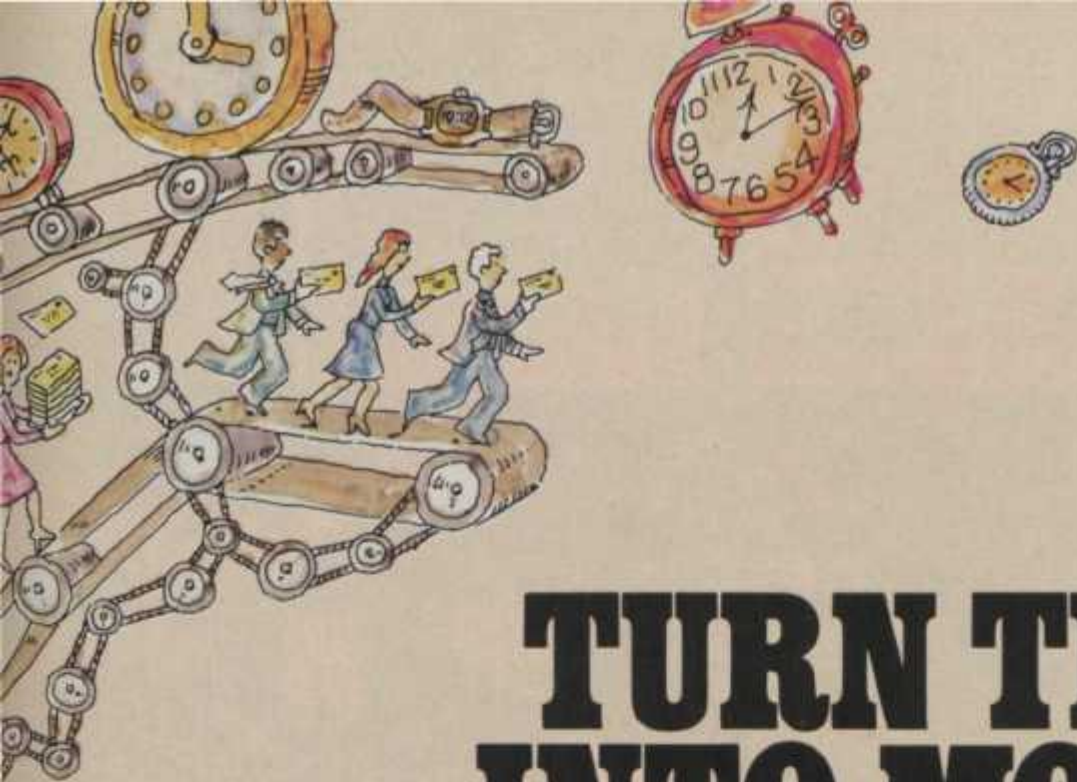
ingly complex, trucks and trailers will continue to perform a vital role in the future of our country. Their stability, endurance, and dependability will chart the course that leads to a brighter tomorrow. And their simple method of "getting the job done" will make sure we get there.



Fruehauf







TURN TIME INTO MONEY.

Many business people are still pouring out letters. As they pour out letters, they pour in time—theirs, their secretary's, the mail room's.

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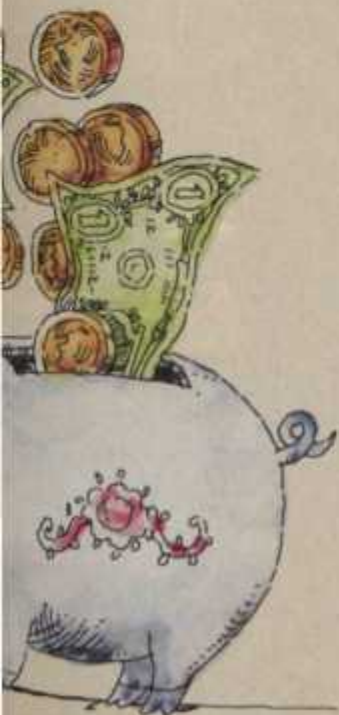
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That's not all. The phone can also turn your time into money in areas such as sales, collections, new business.

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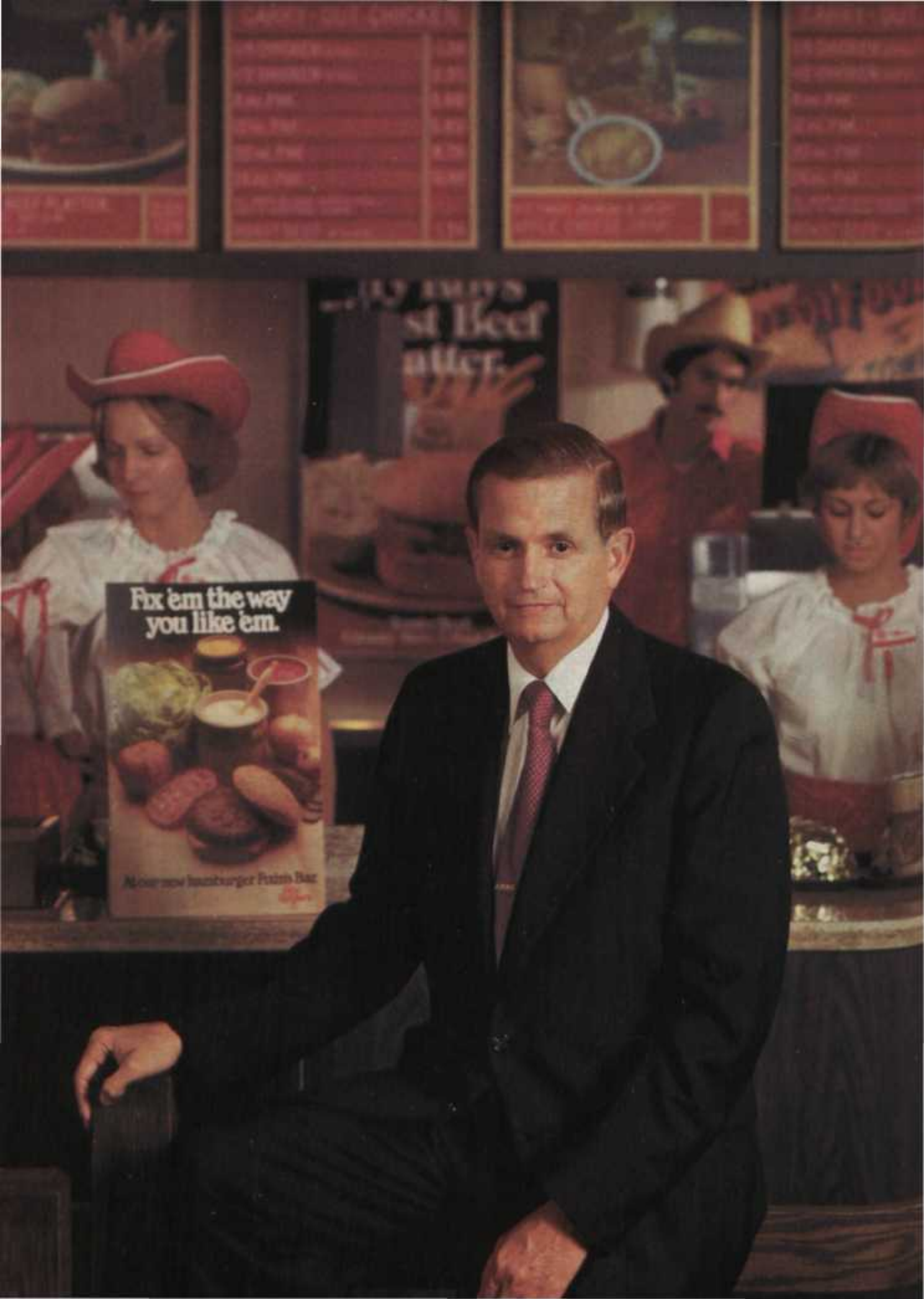
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Bell System

*Source: Dartnell Institute of Business Research



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"Our financial condition is the strongest ever.
The opportunities for growth are outstanding.
We have the premier reputation in the industry.
Our management team is exceptionally strong.
We have achieved unique balance from diversity.
The future has never looked better."

OPTIMISM has been a hallmark of the Marriott Corp. almost from the day it began as a mom-and-pop root beer stand in downtown Washington, D. C.

Today, Marriott is a billion-dollar-a-year business whose interests range from Roy Rogers fast food restaurants to posh Palm Springs resort hotels, from airline food catering to cruise ships and family amusement parks.

The optimistic outlook above comes from last year's annual report to Marriott stockholders who shared in the company's record \$54.3 million profits. One share of Marriott stock purchased in 1953 when the company went public has increased in value 30 times as a result of stock splits and dividends.

Much of Marriott's spectacular growth has occurred in the 15 years since J. W. Marriott, Jr., took over as president from his father, who founded the firm in 1928 and remains as board chairman. When young Marriott became president at age 32, annual sales were \$85 million. By 1978, sales had risen to \$1.25 billion.

Flight kitchens

Mr. Marriott, who became chief executive officer in 1972, is a modern Gulliver, chalking up more than 100,000 air miles a year. He visits each one of the 46 company-owned or managed hotels and 17 franchised inns—spread from Acapulco to Amsterdam and from Rochester to Riyadh, Saudi Arabia—at least once a year.

In between, he calls at many of the company's 60 flight kitchens scattered

all over the globe. And still he finds time to eat frequently at a Marriott Bob's Big Boy coffee shop, a Roy Rogers restaurant, a Hot Shoppe cafeteria, a Farrell's ice cream parlor, or a Hogate's seafood house. Altogether, there are 1,419 Marriott eating establishments owned or franchised.

When time permits, Mr. Marriott will inspect some of the company's three cruise ships, two family theme parks, nine airline terminal restaurants, 14 highway restaurants, and contract feeding operations at 88 health care centers, 98 business and industrial locations, and 20 educational institutions.

"This is a business of myriad details," he says, hinting that there are few that escape his acute sense of what makes Marriott such a success.

Mr. Marriott has been part of the family business since high school. He continued to work in a Hot Shoppe while majoring in banking and finance at the University of Utah from which he graduated in 1954. His only absence was the 18 months he spent as a ship's service supply officer on board the aircraft carrier *USS Randolph*.

Bill Marriott has successfully followed his father's footsteps in increasing sales and earnings by close to 15 percent every year. The company has done this since its founding. Marriott will add 19 new hotels and five new inns in the next two years. The 19 hotels will increase the 20,000 rooms now available to nearly 30,000.

The roots of Mormon religious training run deep in the Marriott family.

Despite extensive travel here and abroad, Mr. Marriott tries to spend every weekend at his home in the Maryland suburbs of Washington, D. C. Sundays are devoted almost exclusively to church services and visits to Mormon wards in the area.

Some of this religious influence may be why Marriott is not following a recent trend to acquire hotels with gambling casinos.

"Our position on gambling is that it is a different business," says Mr. Marriott. "It is a business that most major financial institutions have been very hesitant to become involved in. It is a business that has moral and ethical implications that concern us."

Loud voices

Another subject that concerns Mr. Marriott is government interference in business. "The very survival of American business is being increasingly threatened by excessive government interference, by the loud voices of a few powerful special interest groups, and by a Congress that is actually legislating increased inflation instead of taking bold steps to reduce it," Mr. Marriott says.

Last July, he became chairman of Citizen's Choice, a national grass-roots lobby affiliated with the Chamber of Commerce of the United States. He is also a member of the National Chamber's board of directors.

Mr. Marriott describes Citizen's Choice as a "powerful new way for Americans to speak out for economic stability." The lobby group serves as a



Swatches of fabric by the hundreds fill a special room at Marriott's Washington headquarters. Particular detail is paid to the different types of decor used for the company's diverse hotel and restaurant operations.

vehicle for Americans "to work to reduce taxes and inflation, slow the growth of government, and demand economic impact considerations for all new government regulations."

In an interview with a *NATION'S BUSINESS* editor at Marriott's Washington headquarters, Mr. Marriott talked about the problems and satisfactions of running one of the world's leading hotel and restaurant firms.

In your extensive travels, do you try to visit a Marriott installation wherever you are?

Yes. I visit almost every hotel at least once a year and some twice a year. I visit our two theme parks at least twice a year, and I manage to inspect about three fourths of our flight kitchens in the course of a year.

Do you call incognito at these places?

No. They know me. I can be incognito at many of our restaurants, but not at our hotels and flight kitchens be-

cause they are told in advance of my arrival. At our restaurants, I sample the food and check the service, but do not get as deeply involved in the management as I do with the hotels and airline kitchens.

And if things aren't up to par?

If I find something that I don't like, I usually tell the manager. If it is a serious problem, I will report it immediately to a supervisor.

How much travel do you log?

Anywhere from 100,000 to 150,000 miles a year. I try to be on the road about a third to a half of the time on the operations side of the business. Some of my time is set aside for looking at new locations and the public relations and ceremonial functions that go with this job. The rest of the time I spend here in the office.

When in town, do you have a lot of staff meetings?

I have a staff meeting every two weeks, which is primarily informational. It gives me a chance to find out what is going on in each of the divisions. Also, the staff people can find out what I and others are doing.

About once a month I meet with each one of the staff individually. These meetings are quite informal, but do run for a few hours. We'll usually have an agenda. As a rule, I have a list of concerns that I go over with them, and they have a list of concerns for me. We trade ideas on a wide range of things.

Most importantly, these meetings give us an opportunity to talk about strategy. I probably spend 15 to 20 percent of my time on strategic issues: What new businesses we should be looking at, new opportunities we should be studying, that type of thing.

Why does it take so much moving around to run a company like Marriott?

This business is hard to run from this office. The world is changing, and we have many different operations, here and in different parts of the world. I can't obtain the knowledge, information, and input I need to make the right decisions by sitting in this office.

Do you have any special techniques for making decisions?

I simply pull in all the information I can from the people involved—their thoughts, feelings, ideas. In addition, I usually have a fairly comprehensive financial report in front of me. If it's a major decision, I will have a thorough workup done. Most decisions involve locations for development of new real estate. So I visit sites and the marketplace, and I try to get a feel for what is going on. I want to see what we're doing firsthand.

Do you worry about wrong decisions?

No, I don't fret about them. I go on to something else and then worry about that.

Sometimes though, I'll reflect on what I've done. I have to criticize myself for not being more of a reflector than a forward mover. But maybe that will come with age.

What was your first job with Marriott?

When I was in high school, I worked summers in the architectural department, dealing with kitchen layouts and that type of thing.

I really got involved in operations when I worked the fountain in a Hot Shoppe restaurant in Salt Lake City while I was going to the University of Utah. I came in at 4 a.m. along with the chef to prepare the food for lunch. In my senior year, I became more involved in the management of the restaurant. I really began to learn the inner operations of the business at that point.

What advice did your father give you?

He gave me many pieces of advice, but I think the overriding one has been hard work. That has been one of the main reasons for his success. He still remains vitally interested and active in the business.

Do you have a philosophy by which you run the business?

First, we try to provide a climate where people can work together in harmony. We are heavily people-oriented. You can build the best hotel in the world, but if you haven't got friendly people on the front desk, the customer is not going to come back.

We want our people to make decisions. That means making decisions where they should be made—at the top, at the bottom, or in the middle. We are not afraid to let people try new things. We are not afraid to let people make mistakes. We get concerned, of course, if they make too many.

What do you emphasize in training your people?

Our prime concern in management development is to get our people to respond quickly. We are in a fast-moving business. We have to solve problems quickly.

A hotel room can be sold only once a day. Thus, it is a highly perishable product. If the rooms aren't sold, we have got to scramble and get out there and sell them.

If the airline has a problem with its food service, we have to respond immediately. It's got to be fixed now, not three or four weeks from now. Things like an unclean restroom or poor food have to be taken care of immediately. It's sort of like being in the publishing business: Every day you have a deadline that has to be met.

And you personally try to stay on top of all these problems?

Yes.

Can you attribute Marriott's success to any particular thing?



Opening day at the Marriott theme park in Santa Clara, Calif., is a good time for the boss to visit. The two entertainment centers run by the corporation are just one way it has diversified from a simple restaurant operation.

It keeps coming back to people, our people and the people we serve.

The key elements for Marriott people are hard work and a dedication to excellence.

How are you about delegating authority?

Let me answer this way. I think it is just about impossible to be successful over the long haul in this kind of business without becoming familiar with all the details, becoming concerned about the details, and becoming involved with the details.

I often wonder if I spend too much time on the details of the business and not enough time on broader issues. I am trying to delegate more details to the people who report to me, but I am still involved in an awful lot that I shouldn't be.

Perhaps part of the problem is that I have been with the company longer and am more experienced than any of the people who report to me. That com-

pels me to want to have an input into so much of what is sheer detail.

What do you look for in hiring people?

Drive, high energy level, and hard work. I look for an ability, no, a willingness to spend that extra amount of time to get the job done. Don't get me wrong. I'm not asking for a bunch of workaholics. I want people to enjoy their jobs. If they get their work done in eight hours because they are smart and organized, that's acceptable. But if they need more time to get a job done, I expect them to put that time in.

Intellectual capability is important. Ours is a complex business. We are a big company. Our senior people have to have the horsepower upstairs to make the whole thing go. The biggest problem in running a company as complex as Marriott is getting the right person in the right job.

I emphasize personnel skills. Whether our people are in architecture or



The opening of a new Marriott hotel in Austin, Texas, brings the company president and his wife, Donna, to a gala banquet. Mr. Marriott logs more than 100,000 miles a year in visiting various operations of the worldwide company.

real estate or finance or operations, they must be able to relate to, get along with, and motivate people. Some of our executives come from companies where this was not important. So they have to develop people skills here.

What gives you the most satisfaction in your business life?

Watching the company grow. Developing quality products and knowing that these products are well received in the marketplace. The satisfaction is not so much in being big, but in knowing that we are doing the best job for the customer.

Any major disappointments along the way?

We have had some problems, but no major disasters. There have been some potholes in the road, but in 15 years we had only one year when our earnings did not show a good increase. That was

primarily the result of a military disturbance in the Aegean Sea. Our cruise ships were put out of business during the height of the season. That year also saw an oil crisis and a recession. We had no control over the situation, so we just had to take our lumps.

I'm pleased that many of our original stockholders are still with us. I met a photographer recently who had 12,000 shares of our stock. He's worth a lot of money.

How do you increase productivity?

By trying to keep things as simple as we can. We are heavily into the food service business. We try to keep our menus simple and our food production system simple. If we can do that, we can get a product out of the kitchen faster and with less labor.

Also, we work hard to develop new ways of serving the customer at less

cost through better scheduling of our labor. People don't eat as much food at 3 in the afternoon as they do at noon or as much at 11 p.m. as they do at 7 p.m. So scheduling of employees is very important.

You oppose the planned increases in the minimum wage?

Yes. The last increase was a complete disaster for all companies in the restaurant business and for the public, too. At the same time that our wage costs went up, our food costs also rose because of the increase. The lettuce pickers, the handlers, the middlemen—they all got increases, which were passed along in the form of higher food prices. The domino effect was tremendous. Restaurants had to raise their prices.

Did Marriott cut its workforce as a result?

Well, we cut our man-hours substantially. Instead of bringing young people in for eight-hour shifts, we bring them in for four hours. Instead of opening restaurants in marginal locations, we go into high-volume, high-traffic locations. We are hiring fewer people for new operations, and we have cut wages for many employees. In some cases, we have shut down operations completely.

Washington, D.C., has the highest minimum wage in the United States. We have been forced to close 12 restaurants here, mostly because of the wage problem.

And this has deprived young people of jobs, especially black youths?

You know, if a father with a good income has a son working in a Roy Rogers restaurant, that's fine. But Dad will make it whether the boy works there or not. On the other hand, in an inner city family one of the children might take that Roy Rogers job. That extra income is important. It helps buy a pair of shoes or some other necessity.

There is another side. If our company has to pay \$2.90 an hour, we will try to get the best help we can. More and more housewives are coming into the market. They want to work only three or four hours a day. Many are skilled. They know how to cook. They have experience. We have to be practical, so we hire them. That pushes young and unskilled people out of the job market.

Is government interference in business getting worse?

Washington Report

Volume 1, Number 1

Monday, June 11, 1979

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J. Willard Marriott, Sr., who founded the Marriott corporation, stands with his son in front of a replica of the restaurant that was the beginning of the company. The replica is located in the Santa Clara theme park.

Well, people are certainly misinformed in some cases. They don't realize the importance of profits. They'll look at a company making a billion dollars and think it's sinful. They don't realize that 50 percent of the profits go to the federal government for taxes. And there are local taxes on top of that. And much of what is left goes for research and investment in new plant and equipment.

Switching subjects, will tomorrow's hotel guest be any different than today's?

We see some changes. The biggest impact on the hotel business is the working wife. She provides up to 40 percent of the family income. There are fewer children at home to feed, clothe, and educate. The working wife feels entitled to a vacation. So more husbands and wives are taking vacations, and that means staying in hotels. Also, more young people are traveling. Lower air fares are changing travel patterns. All these factors mean that different kinds of people are staying in hotels.

Any plans for a Marriott hotel on the Chinese mainland?

Not in the immediate future. Doing business behind the Iron Curtain, we have found, is time-consuming and difficult.

Mr. Marriott, how do you relax?

With difficulty.

How do you spend your weekends?

A lot of my time, of course, is devoted to church services. But I try to spend as much time as I can with our six-year-old son. We usually do something together every Saturday. I have seen *Star Wars*, *Battlestar Galactica*, and *Superman*. Now he wants to go back and see them a second time.

Are your three sons destined to work for Marriott?

I would hope so, but that is 100 percent their decision.

Do you play golf?

Never competitively and only on vacations when I play with my kids.

Are you a jogger, an exerciser?

No. I get very little exercise. I don't have time for anything. But I do run for airplanes pretty well. □



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Yes. A good example is what's happening in the energy area. Only the free market system can solve our energy problem. But it can't be done with government price controls. There is no way the government can legislate how much the oil companies must produce. That has to be determined by the marketplace.

Our free enterprise system has brought us a greater standard of living than any country in the world. When you have competition, you do things, you innovate, you make lemonade out of lemons.

Do you perceive a conservative swing in the country?

I see a conservative swing because the liberal swing hasn't worked. I think a lot of people are becoming more sophisticated about government. They are better informed. Even television is starting to educate people on how the economy and free enterprise work. Citizen's Choice, for example, does an excellent job in its monthly newsletter of telling people what is really happening in Washington.

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The Great Truck



As truckers try to boost their payloads to the maximum to offset rising fuel costs, they face varying limits from state to state. The limits are enforced by weighing stations.

PHOTO: LES MOORE—EMP/PHOTO

Because of length limits, shorter cabs mean more room for freight. Double trailers give greater flexibility in delivery and higher payload, but are banned in some states.



PHOTO: FRANK WILCOX—THE BARGE BARGE

Weight Debate

Fuel savings,
highway abuse,
and uniform standards
are some of the
trade-offs in a
complex controversy

By John H. Jennrich

IF ALL HIGHWAY TRUCKS were 65 feet long and weighed at least 80,000 pounds loaded, enough fuel to heat 187,000 homes could be saved annually, contends the American Trucking Associations.

And all that weight would tear up the nation's highways, counters the General Accounting Office.

Many of the claims and counterclaims about truck length and gross weight center on states in the Midwest and East that require gross weights below 80,000 pounds, which is the federal maximum for interstate highways. These states form a barrier to transcontinental and north-south truck shipments.

In 1978, Congress directed the Secretary of Transportation to study uniform federal size and weight standards. Deadline for his report is January, 1981.

GAO report

Last summer, the GAO issued a controversial report whose findings are summed up in its title: *Excessive Truck Weight: An Expensive Burden We Can No Longer Support*. And the oversight subcommittee of the House Ways and Means Committee held hearings on the impact on highways of increasing the present federal maximum truck weight of 80,000 pounds, and whether heavier trucks save energy in the long run.

Definitive answers may have to wait until after the Transportation Department

report is out. But until then, the controversy will undoubtedly continue at full throttle.

The current problems began in 1975, when federal weight limits on the interstate highways were raised from 73,280 pounds to 80,000 pounds. About a dozen states and the District of Columbia did not raise limits to the federal maximum, although several temporarily raised the limits during last summer's fuel shortage.

The diversity of weight limits across the states is demonstrated by a list compiled by the American Trucking Associations, which represents every type of trucking operation in the country. The ATA says that 40 states are at or near the federal maximum (Alaska has no interstate highways, so only 49 states are affected). North Carolina and Virginia are both at 79,800 pounds. But Montana (76,800) and Nebraska (73,280) are well below. The two western states allow long-term permits for higher weights; as a practical measure, Montana goes to 105,500 pounds, and Nebraska allows 95,000 pounds.

Permit system

Beyond the federal interstate maximums, two major exceptions affect truck weights. The first is the permit system, which is designed for shipment of heavy loads that cannot be divided or some other exigency. Many permits are for one trip only. But Montana, Nebraska, and at least seven other states grant long-term permits for regular shipments of loads over the normal weight.

The second exception is that many states, either by permit or regulation, allow greater weight limits on noninterstate roads. The most extreme limit is found in Michigan, which while requiring enough axles and wheels to make a truck look like a centipede, permits a gross vehicle weight of 154,000 pounds.

Excluding North Carolina, Virginia, Montana, and Nebraska, the ATA says ten states and the District of Columbia are under the 80,000-pound limit.

Some of these, because of their strategic locations and common borders, block both transcontinental shipments and north-south shipments on the East Coast. Six states along the Mississippi River plus Indiana split the center of the country, and Pennsylvania and Maryland, stretching from Lake Erie to the Atlantic Ocean, divide the populous Northeast from the rest of the nation.

Barriers prevent uniformity

During the independent truckers' strike in the summer, five of the ten states and the District of Columbia temporarily raised their limits to the federal maximum, following a June 22 letter from President Carter to their governors suggesting that they consider truck weight standardization. The five states are Connecticut, Maryland, Mississippi, Missouri, and Iowa. Most of these jurisdictions have returned or soon will return to their lower limits.

The ATA blames the barrier states for preventing uniformity of weight limits, which would allow an 80,000-pound truck leaving Los Angeles to travel unimpeded to New York. It also criticizes the District of Columbia and 23 states that do not permit truck-trailer combinations up to 65 feet long.

ATA's Edward V. Kiley told the House Ways and Means Committee's oversight subcommittee that more than 225 gallons of diesel fuel could be saved annually with the 80,000-pound, 65-foot standards.

Minimum limit

Mr. Kiley called the 80,000-pound limit reasonable, but a minimum. It is on this point that the ATA now differs from other groups, including the American Association of State Highway and Transportation Officials, which sees the 80,000-pound limit as a maximum.

The ATA argues that the larger payloads of heavier, longer trucks increase fuel efficiency—measured in gallons of fuel per ton-mile—and do not degrade highways.

AASHTO told the House Ways and

Means Committee that bigger trucks are more fuel efficient, but an increase in weight limits might not be economically beneficial overall. Increasing loads from 90,000 pounds to 110,000 pounds, for example, cuts fuel use by one thousandth of a gallon per ton-mile, which adds up to significant fuel savings. But, says AASHTO spokesman John Clements, oil consumption increases as loaded gross weights increase. "In addition," he says, "engine and tire life decreases, and fuel efficiency decreases considerably with poor quality road surfaces."

He concludes: "Even assuming an economic gain to the trucking industry and overall diesel fuel savings, we do not believe that permission should be given to increase weights."

Higher repair costs

The General Accounting Office is likewise opposed to heavier trucks. During the next 20 years, it says, the states will need—excluding routine maintenance—\$18 billion to offset deterioration of interstate highways and \$67 billion to repair and replace interstate roads.

One 80,000-pound, five-axle truck, says the GAO, has the same impact on an interstate highway as at least 9,600 automobiles. As axle weights go up, road damage goes up faster. A truck axle carrying 18,000 pounds is only nine times heavier than an automobile axle carrying 2,000 pounds, but it does 5,000 times more damage. Boost the truck axle load to 20,000 pounds, and it does 7,550 times more damage than a car, says the report.

The GAO also raps claims of fuel savings for heavier trucks. While some fuel may be saved through heavier truck shipments, it says, these savings will be reduced or possibly eliminated because all vehicles use more fuel on deteriorated highways. Also, more fuel will be needed to maintain and resurface broken pavement.

A Transportation Department study shows that a ten percent increase in weight limits would reduce total direct fuel consumption less than one percent.

Grandfather clause

The GAO report recommends that federal weight limits be applied to all federal-aid highways, not just the interstate system. This would add 768,000 miles of roads to the 42,500 miles of interstate already covered.

The GAO also wants to eliminate overweight exemptions and permits

except where absolutely necessary and abolish the grandfather clause that allows states that had heavier weight limits in 1956 when the interstate system began to keep those higher weights.

Aligned with the GAO report is the American Automobile Association, for years a foe of heavy trucks. The AAA's government affairs managing director, Jerry C. Connors, has called for a rollback of the federal interstate maximum to 73,280 pounds and application of that limit to all federal-aid highways.

"Despite assurances that heavier weights would make it possible to carry more tonnage in fewer trucks," he says, "we found that vehicle miles of travel by combination trucks increased 14 percent between 1975 and 1977."

The auto association cites an Oregon study showing that 80 percent of highway surface wear is due to axle weight, mostly caused by heavy trucks, 19 percent to weather, and one percent to automobiles. AAA discounts the 80,000-pound weight limit as necessary for uniformity.

Uniformity achievable

"There isn't a single state that would prohibit the movement of combination trucks weighing 73,280 pounds," says Mr. Connors. "Uniformity is already achievable if the industry will settle for the weights for which the interstate system was designed and built. It is time that we accept the fact that limitations on weights and sizes will necessitate increases in freight rates."

"Then we will pay the true costs of moving cargo, rather than subsidizing the rates with increased casualties and accelerated depreciation of our capital investment in highways and bridges."

Truckers themselves differ about optimum weight and size. Shippers of low-density products such as plastics and household goods rarely reach the gross weight; their problem is the cubic footage available. Shippers of high-density products—steel, sand, or gravel—consider weight first and are helped more by higher axle and gross weights rather than longer lengths. Truck lengths vary by state law and configuration of the vehicle, but a popular combination of one truck tractor and one semitrailer may run from 55 to 65 feet. Trucks with multiple trailers are generally 65 feet or longer.

Still, the truckers have a solid argument for greater weight limits. A recent report by the prestigious

Transportation Research Board, a branch of the National Academy of Sciences, says that nonuniformity in size and weight laws costs the American public from \$1.6 billion to \$2.8 billion annually, along with the unnecessary use of 400 million to 875 million gallons of motor fuel. It says that increased weights would cost \$2 billion in highway upgrading, but would save that much every year.

Double and triple combinations

The research board report recommends the use of 105-foot trucks in all states, including both double and triple combinations, which it says are as safe as the shorter, lighter trucks. It also recommends the already popular single and tandem axle loads of 20,000 and 34,000 pounds. If adopted, these recommendations could lead to 120,000-pound trucks.

However, there is also the argument, raised by AASHTO, about the effect of more efficient trucks on the nation's railroads. Raising truck weights to 80,000 pounds would cut operating costs by seven percent; going up to 90,000 pounds would cut them another 9.8 percent.

Trucks and railroads compete for the traffic that provides about 75 percent of rail revenue, according to the Association of American Railroads. If reduced truck costs resulted in lower shipping costs, the switch in traffic from rail to truck would cut rail revenue by \$2 billion and increase national energy consumption because railroads are two to four times as fuel efficient as trucks.

More trailers by rail

On the other hand, AASHTO points out, railroads are trying to carry more truck trailers on flat cars, a more efficient method of shipping goods for distances of 200 to 300 miles. During his House committee testimony, Mr. Clements cited the recent report of the National Transportation Policy Study Commission showing that the diversion of shipping traffic to trailers on flat cars could save 75 million gallons of fuel a year, or four percent of the predicted total consumption for intercity freight transportation.

"Obviously," says Mr. Clements, "in these times of critical fuel shortages, savings of this magnitude cannot be shunned. The savings especially should not be shunned in favor of a policy that will increase highway maintenance costs and reduce pavement life expectancy." □

How Export-Import Bank Helps Small Business

IT'S NOT EASY to stump the experts at the Export-Import Bank of the United States. But an inquiry from a firm in the Southwest about insuring the sale of 1,000 horses to South America came close.

Bank officials weren't sure this was in their corral. "We had never done horses before," one recalls. "But now the deal is going through."

The call came in on a toll-free hotline—800-424-5201 or 566-8860 in the Washington area—to the bank's small business advisory office.

"Since the hotline was installed in February, we've received 5,000 calls," says Griff Ellison, the bank's vice president for public affairs. "The quality of the calls really surprised us. Most were from businessmen who were either working on deals or had a product to offer and were seeking advice."

Specific name

However, at least half the calls are not directly related to the type of aid the Eximbank can give. But the bank does refer the caller, usually with a specific name and telephone number, to an agency that can help.

This referral comes only after the bank is certain it cannot assist, as in the case of eels destined for Japan. The caller needed operating capital to feed the eels, but such financial assistance is not a function of the Eximbank.

The office handling these calls has been available for some time to assist companies in using the bank's services and to provide information on international trade and financial practices.

In addition, the Eximbank has set up a conference program with the Commerce Department, the Small Business Administration, and the Overseas Private Investment Corp. These conferences—about 50 so far—are held in cities throughout the United States, and once a month at bank headquarters in Washington, D.C.



John L. Moore, Jr. (left), chairman of the Export-Import Bank, greets U. S. Ambassador Robert J. McClosky while visiting Greece, as Charles J. Politis of the American-Hellenic Chamber of Commerce looks on.

"Some of these meetings have attracted more than 300 people," says John L. Moore, Jr., chairman of the Eximbank.

While staff from Washington is always at these meetings, Mr. Moore attributes much of the success of the conferences to the involvement and cooperation of such groups as local chambers of commerce and trade, credit management, and small business associations.

The last of the free, one-day conferences to be held in 1979 outside Washington will take place in Springfield, Mass., on Nov. 15.

The schedule for the spring of 1980 includes meetings in Jacksonville, Fla.; Portland, Oregon; Denver, Colo.; and San Antonio, Texas.

A feature of these conferences is the

number of actual exporters who pass on their experiences in the marketplace.

A typical small exporter's saga might resemble like that of Barbara G. Griffin, president of Whale Scientific Inc., Commerce City, Colo. Her firm makes disposable medical supplies such as plastic kits used for diagnostic tests.

Unsure of the market

After an extensive fire at the plant and the death of her husband, who had run the company, Mrs. Griffin decided to rebuild and expand the operation through exports. That was in 1976.

But she was unsure of the market possibilities and sought help from Norman Lawson, director of the Commerce Department's Denver field

office. She was steered to Commerce Department material on export markets and to the University of Denver, where the medical school studied the feasibility of exporting the plastic test kits.

By the end of 1976, she had her first contract with an Australian company, and her firm's products were listed in a Commerce Department publication. That listing brought in more orders and many new contacts.

"We're having a very nice success," says Mrs. Griffin. "About eight percent of our business now comes from exports, and we have a good profit margin. And there's another benefit, something that many people don't realize: Exporting generates an excitement in your own employees."

On vacation

Another exporter from the Denver area is Hal Krause, whose small firm makes 16-mm training films. He got started by scouting the market while in Australia. Before the end of his trip, he had sold \$117,000 worth of merchandise.

"But I was so naive that I forgot to add Australian taxes, and before I went home I had to go back to each customer and add 15 percent to the contract," Mr. Krause recalls.

Now 60 percent of the business of American Salesmasters is from overseas customers.

"One of the problems that comes up most frequently," says Mr. Krause, "is the different connotation of words in writing a contract. Sometimes you have to keep trying until you find an acceptable wording; then all goes smoothly."

Export booster

Mr. Lawson of the Denver field office is just one of many people who have lined up exporters to take part in the Eximbank conferences. And he is an enthusiastic booster of export trade.

"During the last recession, Denver learned that manufacturing companies that were exporting didn't lose their skilled workers by being forced to cut back and then have to start over trying to find others. If we're heading for another recession, exporting is a good hedge."

For business people interested in exporting but unable to attend a conference, Mr. Moore offers some advice.

"First," he says, "be certain of the product and its competitive nature, both as to price and technology."

"The U.S. domestic market is the

most difficult in the world. If a small business can compete here, it should be able to compete in the foreign market."

The next step, Mr. Moore says, is the most difficult—finding a market. It is very confusing to figure out whether to head for Africa, Europe, Asia, or South America. Identifying the market takes a lot of homework.

A good place to start is at the Commerce Department, which publishes a series of pamphlets and other publica-

Not Quite Full Service

When it comes to exporting to China, the Soviet Union, and other communist bloc nations, the Eximbank doesn't qualify as a full-service bank.

As a government institution, Eximbank is prohibited from doing business with any communist country unless the President determines that trade would be in the public interest.

But recognizing the growing U.S. interest in exporting to communist nations, the Eximbank is encouraging firms to use the export conference programs and other services.

Firms with potential deals in China, for example, are encouraged to put together all the necessary information to obtain financial assistance from Eximbank in the expectation that China will soon be granted most favored nation status.

tions useful to exporters, such as the *Index to Foreign Market Reports*.

Then, if an exporter does get a foot in the door, Mr. Moore warns, "don't expand too fast."

"You have to be cautious, but there are some attractions to foreign markets," he says. "In some foreign markets the profit margin can be much higher than in domestic markets. And there can be a lot less risk for the manufacturer and seller because of the bank. You can export with a maximum of ten or 20 percent of the risk in most countries, whereas in the United States you have to take 100 percent of the risk in selling."

"And if you are selling in some of the developing countries, you are selling to governments, so you have the full faith and credit of a nation at stake, and payment is more likely to come someday, even if it's slow. In the

U.S. market, sales are to private companies, and private companies can fail."

The attractive conditions Mr. Moore refers to involve export credit insurance and commercial bank guarantee programs, both made available to small exporters last year. Before that, Eximbank assumed up to 90 percent of commercial risk and 95 percent of political risks. For small firms, however, Eximbank now covers up to 95 percent and 100 percent of those risks.

Also, the bank now exempts smaller firms from any commercial deductible requirements, while letting them pay the same premium rates as exporters holding regular policies.

Three tests to qualify

Since the introduction of these more favorable conditions, about half of Eximbank's 100 approved policies for small businesses have been for short-term insurance of consumer goods.

To qualify for the insurance and guarantee programs, a company must meet three tests:

- Net worth must not exceed \$2 million.
- The firm cannot have exported more than an average of \$350,000 annually over the past two years.
- The firm cannot have used Eximbank or Foreign Credit Insurance Association services after 1974.

Once a company has located a market for its product or service, it does not take long to obtain bank assistance, says Mr. Moore. If all the necessary information is submitted, the paperwork for small business insurance and guarantee programs takes from two weeks to a month, and frequently less.

Another question

"There's no question that a greater emphasis on export trade is developing in the United States," says Mr. Moore. "The people are interested, and Congress is certainly responsive."

But whether this interest will lead to a new department of international trade or whether the bank will become a part of it is another question.

"Anything that reorganizes government services so that they will be more efficient would be a good thing," Mr. Moore says.

But the Eximbank is working efficiently as it is, he adds. "And I think former trade ambassador Robert Strauss put it well when he said: 'You just don't tinker around with things that work well.'"

Pipeline Prospects Look More Promising

Four projects are competing for the job
of moving Alaskan oil to the American heartland

CRUDE OIL moving out of Alaska is continuing to glut West Coast markets, and the only way to take care of the surplus is to move it—expensively—by ship through the Panama Canal to ports along the Gulf of Mexico for refining or further movement by pipeline to areas east of the Rockies.

A plan to build a pipeline from California to Texas to move this surplus Alaskan oil to inland markets swiftly and less expensively was abandoned last May when the builders gave up trying to satisfy a multitude of environmental demands imposed by California.

Now, prospects for a pipeline are considerably improved.

This month, President Carter is expected to decide which of four other proposals—designed to move the oil either from Port Angeles, Wash., or the Canadian west coast to points in the upper Midwest—is most in the national interest.

The proposal that has received the greatest attention is a 1,557-mile, \$1.6 billion project that would be built by the Northern Tier Pipeline Co. to pump 700,000 barrels of Alaskan oil daily, about 250,000 barrels more than the surplus oil that now must be diverted through the Panama Canal.

Four firms competing

Northern Tier, solely an American enterprise, would cross only American territory. By contrast, of the three competing firms, one is wholly Canadian, and the other two involve U. S. and Canadian investors. Should President Carter select one of these, the Canadian government would have to give ap-

proval, since these pipelines would cross a portion of Canada.

The first of these, representing total Canadian interests, proposes a pipeline from Kitimat, British Columbia, to Edmonton. Another calls for a pipeline from Big Delta, Alaska, to Edmonton. The third would originate at a tanker terminal near Port Angeles, Wash., and traverse 680 miles of U. S. and Canadian territory to Edmonton. Each would connect at Edmonton with an existing pipeline system to the United States.

Pumping by 1982

Northern Tier Pipeline Co. was organized in 1975 and submitted its plans to the federal government in 1977. The other three filed construction applications only within the past year.

"If the President picks us, we can start construction next year and have oil flowing in 1982," says John E. Latz, vice president of Northern Tier.

Coincidentally, 1982 is critical to America's oil needs. The Canadian government is gradually curtailing the sale of petroleum to America and will turn off the spigot completely in 1982. The reduced movement of Canadian oil into the United States already is being felt by consumers in the Midwest.

Northern Tier has already spent \$12 million preparing federal environmental impact statements. It now must clear similar hurdles in Washington, Idaho, Montana, North Dakota, and Minnesota where its proposed line would terminate at Clearbrook in the northern part of the state.

Before Standard Oil of Ohio abandoned its plans to build a California-to-

Texas pipeline, it was in the process of trying to obtain 735 permits required by the various states before it could start construction.

Delays irk Jackson

Costly delays accompanying every effort to build new pipelines have drawn the wrath of Sen. Henry Jackson (D-Wash.), chairman of the Senate Committee on Energy and Natural Resources, and in whose state two of the proposed lines would originate. With former Energy Secretary James Schlesinger in the witness chair several months ago, Sen. Jackson asserted:

"We have only begun to tap the vast energy resources of Alaska. In no area have public and private indecision and lack of cooperation between the public and private sectors been more prevalent. The time has come to make the decisions on exchange arrangements and transportation systems that will bring new supplies of Alaska's oil and gas to markets.

"We must address the delaying impact of the layers of decision-makers inherent in our federal system. The fact that we have not yet had a single west-to-midcontinent oil pipeline approved is a disgrace. Somehow, federal, state, and local government decisions must be coordinated and expedited."

Administration supports

In the interim, President Carter and Interior Secretary Cecil Andrus have both come out strongly for a west-east transmission line.

The National Governors' Association unanimously endorsed the Northern Tier project and stated in a

resolution: "There is a need to accelerate actions which will produce jobs and enhance the economy compatible with strict environmental protections."

"The Northern Tier pipeline provides a possibility for a secure Alaskan crude oil transportation system located entirely within the United States."

DOE recommendation

Shortly after the governors' association action last July, the Department of Energy specifically recommended the selection of Northern Tier. Thomas C. Kryzer, president of Northern Tier,

commenting on the recommendation, said:

"This report is a big step by the federal government in facing up to the urgent energy needs of the nation. It shows that the President and the administration are serious about meeting the serious petroleum needs of the agricultural and industrial heartland of our country."

The genesis of the proposed pipeline is traced to the 1973-74 Arab oil embargo. This prompted Canada to look more closely at its own interests and that meant, among other things, re-

ducing exports to its southern neighbor.

In the meantime, the bonanza of new oil from the Alaskan North Slope region began pouring into West Coast ports faster than the refiners could convert it into gasoline and other products.

The alternative was to start shipping the surplus through the Panama Canal to Gulf of Mexico and Atlantic ports.

Filled to capacity

In time, this surplus reached 500,000 barrels a day. Unloaded at Gulf Coast ports, this oil is moved north and east through existing pipelines, some of them terminating at refineries in the Great Lakes area. Until recent cutbacks in imported oil, some of these lines were filled to capacity with both domestic and foreign crude. While these existing pipelines are attempting to expand their capacity, the prospects are not encouraging for meeting all future energy needs of the agricultural and industrial northern and midwestern states.

Traditionally, such states as Montana, Wyoming, North Dakota, Illinois, and Ohio have been able to meet their energy needs with Canadian oil, locally produced oil, and oil moving up from the Southwest. But all three of these sources are now in a state of decline.

Northern Tier estimates that it can deliver oil to the Chicago area markets, for example, for \$2.50 a barrel less than the oil now being shipped by way of the Panama Canal.

Farm supplier

Among the major participants in the Northern Tier system are Burlington Northern, Inc., Milwaukee Land Co., Butler Associates, Inc., MAPCO Inc., Curran Oil Co., United States Steel Corp., Westinghouse Electric Corp., and Western Crude Oil.

A few months ago, CENEX, a farm supply cooperative serving more than 500,000 farm families in 13 states in the upper Midwest and Pacific Northwest came into the system as an equity partner.

If the Northern Tier project is approved, the company is prepared to move 933,000 barrels of oil daily when the line is fully operational. That would include all of the Alaskan oil that is now surplus on the West Coast and an equal amount of oil reaching American shores from Indonesia and other foreign oil producers. □



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Sports Boom a Financial Bust?

Profitability among U. S. manufacturers of sports equipment is lagging behind other manufacturing industries, and sales growth is lower than that of the national economy, according to the Sporting Goods Manufacturers Association.

Data from 53 companies representative of the domestic industry show a downward trend since 1973.

That year the industry average for return-on-sales after tax was 5.2 percent, which compared favorably to the national average of 5.6 percent. Performance dropped sharply to 2.6 percent in 1975 and recovered only to 3.1 percent in 1978, when the national average was 5.6 percent.

Among the the factors that might account for the disappointing performance is imports. Sebastian DiCasoli, the association's marketing services di-

rector, estimates that there is a \$2 billion trade deficit in sporting goods.

Howard J. Burns, association president, says: "Far too many market booms have been financial busts for manufacturers. But many industry segments do extremely well. Privately held companies, which seem to perform better financially, are not included in this report."

Phone Sorter Is Color Conscious

When telephones come in a rainbow of colors, the machine that sorts them must be able to see red, blue, green, yellow, and other hues.

Western Electric has developed just such a color-conscious machine to separate the plastic pieces of old phones

before they are refurbished and repainted.

Broken or unneeded phones are sent to a service center. The one in Atlanta, Ga., has a recovery rate of close to 80 percent of the housing, caps, and handles returned. Most parts are repainted in their original color.

Warren Rouse, chief of the color sorting operation, says: "Before we had the color sorter, separating the telephone pieces was a tedious operation. The new machine does the job three times faster with better accuracy."

"Also, the microprocessor in the machine keeps a running tally of the sorted pieces by color. That kind of count was very difficult to get when sorting was a manual operation."

The color sorter identifies color in much the same way as the human eye—it measures primary color components of light reflected from the surface of each piece.

Western Electric researchers are now looking at the more difficult problem of identifying accurately the color of insulated wires. A machine to ensure that every wire in a unit is in its proper place would greatly reduce error.

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Small Computers Will Pace Sales

Computers continue to be the great American growth industry.

A study by Arthur D. Little, Inc., says small computer systems costing between \$20,000 and \$250,000 will set the industry sales pace during the next five years.

The consulting firm, based in Cambridge, Mass., predicts the value of small computer shipments by U. S. companies will more than double by 1983 from an estimated \$2 billion last year. However, flexible systems that can stand alone for small users or be hooked into a network are only part of the growth story.

The *World Computer Industry, 1978-1983* predicts U. S. computer shipments will be up at least 40 percent over the \$18 billion figure for 1978, including a 50 percent increase for systems costing more than \$1 million. □

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continued from page 34H

tends to purchase three-month supplies of scrap rather than the customary 30 to 45-day supplies ordered by American companies. The result, say steel industry spokesmen, is that scrap prices shoot up, forcing domestic users to pay more.

Japan is expanding its steelmaking facilities and, according to some industry observers, could even surpass U. S. production in the 1980s.

Ample supplies

The United States is modernizing its own facilities and, where possible, expanding capacity with new electric furnaces. Reason: It takes four times more energy to make steel from iron ore than it does to make it from scrap.

Assurances from the Institute of Scrap Iron and Steel that there will be ample supplies in the future—all a function of price—are little consolation to iron and steel operators. The percentage of electric furnace steel production to total steel output has gone from 19.2 percent in 1976 to 24.4 percent during the first six months of 1979. This means that the demand for ferrous scrap will increase steadily. But there is no guarantee that adequate supplies will be available when needed.

Stockpiling scrap to offset possible supply problems during winter months is really no solution, either. "None of us can afford to tie up large amounts of capital stockpiling raw materials at today's costs," says Mr. McCammon of Laclede.

No newcomer

The scrap export controversy is no newcomer to the American industrial scene. In 1937, scrap dealers were chided in magazine headlines for sending 12 percent of the nation's existing supply, "for dubious purposes, to foreign ports."

A bill was even introduced in Congress to restrict the export of scrap. At the time, it was selling for \$20 a ton. But then the average price of gasoline was 18.4 cents a gallon, and a new Oldsmobile cost \$900. The two million tons that were exported in 1937 went to Japan, Great Britain, and Italy.

Now, as then, no side seems to emerge with a definitive answer to the running controversy. Part of the reason may be because many economic interests are involved, and ultimately the debate boils down to how they should be balanced.

Many leading economists believe



The collection of some types of ferrous scrap depends on an army of peddlers who scavenge the countryside for whatever they can cart away—much of it discarded auto parts. When scrap prices are up, the supply generally is greater.

that the real policy issue is to what extent the government should protect a domestic industry.

Says Rudiger Dornbush, a professor at Massachusetts Institute of Technology: "The United States should not protect its industries from foreign competition and, conversely, it should insist that its trading partners reciprocate."

That statement echoes the position of the Commerce Department. "Ferrous scrap happens to be a valuable commodity for the United States in boosting its foreign exchange earnings," says a Commerce Department official. "Now that we are stimulating American exports, it would hardly be useful to start restricting one of our own products that is in demand overseas."

The two sides have thought about talking out their differences. A mea-

sure of cooperation has already been shown in trying to resolve another problem common to both sides: Shortage of railroad gondola cars to transport scrap metal to foundries and mills.

Industry spokesmen on both sides shun formal discussions about exports and pricing, however. "There are severe antitrust implications in sitting down with your supplier," says one steel executive. "Anyway, everybody already knows what the arguments are," says another.

What's the answer to the great scrap export debate?

There is no simple solution, and considering the growing number of scrap-consuming electric furnaces that will be built, the issue is unlikely to cool down. Barring unforeseen compromises by either side, the dispute may linger for another half century. □

The Dominican Republic

A TIME OF NEED

As you may know, the Dominican Republic was struck and critically damaged by Hurricane "David" on August 31st.

Hurricane "David", one of the most violent of this century, caused heavy losses of life; severely damaged the national economy; and destroyed more than US\$1 billion worth of property. Dominican authorities estimate that 1400 people died; 500 are missing; 54,000 are injured and 100,000 are homeless.

Therefore, we—The American Chamber of Commerce of the Dominican Republic and 425 corporate members—respectfully invite our colleagues in the United States to step forward and to assist this devastated democracy, in whatever form is possible, during this time of need. Relative to "David's" violence, there is a need for everything!

At this writing, a most urgent need persists for such fundamentals as . . .

- | | |
|--|--|
| 1. Hand-tools (i.e., hammers, nails, saws, etc.) | 6. Batteries |
| 2. Cooking utensils | 7. Light clothing |
| 3. Zinc and aluminum roofing | 8. Non-refrigerated foods |
| 4. Kitchen soap | 9. Anti-biotics |
| 5. Kerosene lanterns | 10. Water purifiers, anti-diarrhea pills |

A number of important multinational corporations such as ALCOA, American Can, Borden, Eastern Airlines, Gulf + Western, Rosario Resources, S.-Worthington, 3M, and Westinghouse have mounted emergency relief programs.

One example is Gulf + Western which gathered and air-shipped 150,000 pounds of food and medical supplies within 14 days, working with the New York-based Dominican Medical



Society and other leaders of the Dominican community. The corporation is also planning a major Dominican benefit and telethon to be held this fall at its Madison Square Garden facility.

Simply put: Today many thousands of Dominican families are without homes . . . without work . . . and without resources. Unfortunately, 90% of the country's food crops, which feed the 5 million population, were also destroyed.

Let's step forward and help. They are in urgent need, now! Financial gifts for "David's" victims are tax deductible, and should be directed to:

THE DOMINICAN-AMERICAN ASSISTANCE FUND, INC.

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Cartons and packaged gifts, also tax deductible should be addressed to: **THE NATIONAL COUNCIL OF BUSINESSMEN, INC.** and brought to the following for cost-free delivery to the storm's victims in the Dominican Republic:

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LUIS HEREDIA BONETTI, ESQ.

President

American Chamber of Commerce of the Dominican Republic

The September edition of Nation's Business contained a 20-page "BUSINESSMEN'S DIALOGUE WITH THE DOMINICAN REPUBLIC" co-sponsored by 20 private business leaders in the Republic. Two of the 20 private messages were published incorrectly; the corrected versions of page 18DR follow:



Hugh Brache
President
ROSARIO DOMINICANA, S.A.

A Gold Mine Within a Gold Mine!

Rosario Dominicana S.A., the largest gold mine in the Western Hemisphere, is a joint venture between the Dominican Government (through its Central Bank holding 48% equity interest) and private enterprise represented by Rosario Resources Corporation of N.Y. and Symplot Industries, both U.S. concerns holding 27% equity each.

We in Rosario Dominicana take pride in our contribution to the increasing development of this peaceful and democratic nation, with over 100 million dollars in exports of gold and silver expected this year.

The other "gold mine" is yet to be fully exploited and takes the form of a lovely island of great beauty; a nice climate; free zones for industry; a large available labor pool; and only 2 hours away from Miami by plane.

Come down and do some prospecting!



Roberto Bonetti
Director
SOCIEDAD INDUSTRIAL DOMINICANA, C. POR A.—SID

Business Within a Democratic Environment

Our Company has been operating in the Dominican Republic for 42 years. We are firmly established in the agricultural and manufacturing sectors and are producing: edible oils, margarine, shortening, soaps, detergents, animal feeds, poultry and corn milling products. We are currently undergoing a large expansion of our manufacturing capability and are extending our investments in the agricultural sector.

A large potential for investment exists in the country and our strategic location in the Caribbean, together with our Government's commitment to attract further investment from the private sector, will provide the necessary stimulus for advanced growth and development.

We are confident in the present and future of our country. Continued political maturity, combined with the ability to do business within a democratic environment, make the Dominican Republic an attractive country for your investments.

Portrait of the Mature Proxy Fighter

Donald C. Carter is no longer the boy wonder of proxy fighting. Not that he has been supplanted; "I turned 31 and gave up boyhood," he says.

Despite his youth, Mr. Carter has had more than 15 years' experience in the financial world. "When I was 12, I would go to the beach with my mother and uncle. He worked in the post office, but dabbled in the stock market. He taught me how to read the stock tables, and I was fascinated by the numbers. I developed a paper portfolio and kept it going all through high school."

Playing the stock market on paper led to a financial degree from New York University and then to a job researching arbitrage situations for a Wall Street brokerage firm.

Stock-watching soon expanded into company-watching, and Mr. Carter began studying proxy disputes and tender offers. Eight years ago, he formed his own business, banking, correctly as it turned out, on two trends: Shareholders would demand more voice in company operations, and the takeover and merger business would boom.

Mr. Carter's years of study paid off. His company's record over the past year alone is 12 wins and two losses.

The years of study also produced analytical insights into the business of proxy fighting. "The timing of the mail campaigns before an annual meeting is critical," says Mr. Carter. "Whoever gets the most proxies wins, but in a contested director election, for instance, shareholders may vote more than once. A stockholder will get several proxy cards and mail them all back. Then it's the latest dated proxy that counts. That's the SEC rule."

Proxy fighting retains a patina of nastiness, but that comes from the fights that make the newspapers, says Mr. Carter. Most stockholder disputes don't get to the hostile stage; both sides settle the issue.

Aside from unfriendly takeovers, the issue often centers on disagreement about the company's progress or future. "One or more stockholders will tell us they want more say in running the company through the board of directors,"



Don Carter doesn't want to lose his hands-on touch in proxy fighting.

says Mr. Carter. "We will try to get them the votes to elect their own director, or we'll suggest some arrangement to the present board."

"Often, it's a no-lose situation for the dissident stockholders. Even if they don't elect their man, the directors and management of that company know that the stockholders are unhappy. And no smart company wants unhappy stockholders. So there may be a big surge in communications between the company and its stockholders. And certain management operations may be modified."

What is the future of proxy fighting? Will it go the way of cutthroat competition? "Hardly," says Mr. Carter. "Stockholders will always disagree with directors in some company somewhere. That's the basis of our business."

Will the Carter organization become a heavyweight proxy fighter? "We already are heavyweight," says Mr. Carter. "As the third largest proxy firm, I have no secret desire to become number one. I prefer managing a 25-employee firm on two floors in the heart of Wall Street. This business craves personal attention from me."

What about moving out of New York City? Perhaps follow American Airlines to Dallas?

"No," says Mr. Carter. "Some complaints about New York are valid, but whenever I think about moving, I always remind myself that when you leave New York, you ain't goin' nowhere."

Selling Goods Is Better Than Losing Them

Ronald G. Assaf wouldn't think of shoplifting. But he has made honest buyers out of countless shoppers who might have been tempted.

As president and chairman of the board of Sensormatic Electronics Corp., in Deerfield Beach, Fla., Mr. Assaf runs the company that makes those annoying pieces of plastic found on clothes and other items in retail stores. The plastic sets off an alarm if a nonpaying customer tries to walk out the door.

"The tag may annoy the customer a bit, but for us it was the most frustrating invention in the world," says Mr. Assaf. "Within that plastic are three pressure points and a coil antenna with a diode the size of a grain of salt. The coil and diode must be attached to within one ten-thousandth of an inch."

"In the beginning, we had 60 workers with microscopes and tweezers bonding the two parts. The attrition was terrific. We had the tag, but we couldn't produce it at a reasonable cost."

The problem was eventually solved through an ultrasonic device, and the company now makes three million tags a month. But the frustration is characteristic of Sensormatic.

"It all began with me chasing a shop-

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Ron Assaf couldn't win in the early years. "It was one step forward and two back."

lifter out of a food store in Akron, Ohio. The guy was huge, and he walked in, picked up two bottles of wine, put them under his arm, and walked out. Well, I was the manager, so I went running after the guy, but I made sure that he stayed well ahead of me."

Mr. Assaf's cousin came up with the idea of tags that would trigger an alarm if an article passed through a checkpoint, but progress from the idea to the reality was a series of misadventures.

"We couldn't win," says Mr. Assaf. "We had to pay the retailer to take the first system we ever installed in a store. Retailing is traditional, and these tags were unknown."

"Then we made the first tags small and hid them in the garments so we caught lots of shoplifters. And the stores who had taken a chance on us found themselves in court all day, with the police impounding the stolen merchandise. And by the time they got it back, it was a write-off anyway."

"We were taking one step forward and two steps back. Our first big break was Macy's in New York City. Wow, we thought, we have arrived. A year later we were out. Like many big chains, Macy's inventories its merchandise across an entire line, not just in one store, which is where we were. So there was no way of proving how much the system had cut down on shoplifting."

Mr. Assaf and the diehards who were still with him decided that the real value of the system was not to catch shoplifters, but to deter shoplifting.

"So we made the tag obvious and hung it on a sleeve or hem. And that was another mistake. We didn't catch as many shoplifters, and the stores discon-

tinued our leases. We lost \$14 million before we made anything."

The turnaround came in 1974 when Mr. Assaf decided to eliminate short-term leases and substitute two or three-year contracts. That way, the tags were able to establish a track record. And that record-plus shrinking profit margins boosted Sensormatic into viability.

Today, more than 80 million tags are attached to goods that are protected by close to 11,000 systems around the world. The company finished fiscal 1979 with \$28 million in revenues.

Mr. Assaf believes that anybody can be a shoplifter. "It is just human nature," he says, "and that hasn't changed in the past 5,000 years."

Does that include Mr. Assaf? "I was 12. I spotted this baseball glove in a hardware store, and I staked it out. I had planned it well. I knew right when the owner would head for the back room. That's when I made my grab, just as his wife was coming through the front door. I was never so scared in my life."

For Joggers, Specs Is in the Running

Jim Shapiro wouldn't pay \$50 for a pair of sneakers. Why should he, when he can buy his own brand in his own store for \$36? The difference between the two prices is the reason why Specs International, Inc., will sell more than \$30 million worth of footwear this year.

The company began as several discount outlets in the Boston area, which were owned by Al Spector. He bought up the overloads and excess capacity of shoe manufacturers, including big sports names like Converse and Uniroyal. "In the industry, the shoes are called B quality," says Mr. Shapiro. "They're still good shoes and they cost less, but the sources of supply were drying up as the manufacturers caught up with the jogging phenomenon."

After studying the profit margins of various kinds of shoes, Mr. Spector decided to join the crowd of firms making sports shoes, and Mr. Shapiro joined him to market Specs.

The outlets provided a natural starting line, says Mr. Shapiro, "and we priced Specs at 20 percent less than the biggies. We didn't have their huge marketing and overhead expenses, and we didn't need them."

From its own outlets, Specs expanded to the independent retailer. "The point is

that the independents can make more profit from selling Specs for less. We also put Specs into major department and sporting goods stores, but we are staying out of discount chains completely. Our best market saturation outside of Boston is in California."

Is a Specs as good as a Nike or a Puma?

"The only answer is yes," says Mr. Shapiro. "You have to relate quality to the shoe," he explains. "There are three basic types: tennis, basketball, and jogging. In tennis and basketball, there is virtually no difference between their quality and ours. Athletic shoes are all made in pretty much the same way. The quality difference comes in the materials."

"In the jogging shoe, there is a difference. Our shoe is designed for the person who runs for exercise. I run seven miles a day, but I am not out to win marathons."

However, sales success in the run-of-the-mill jogging world has spurred Specs into developing a matathon line the equal or better of the name brands, says Mr. Shapiro. Part of the testing was done by the feet of Dave McGillivray, who ran across the country from Oregon to Boston in 80 days as part of a charitable campaign for children with cancer.

"We must have given him three dozen pairs of shoes," says Mr. Shapiro, whose firm has just launched a line of Specs roller skates. "He never wore any out, of course, because he kept changing them. The average jogger will get three or four months' wear from a pair."

What ever happened to the plain old sneaker, traditionalists might ask? "It went out with the little old lady in tennis shoes," says Mr. Shapiro.



Jim Shapiro (left) and Al Spector wouldn't wear anything but Specs for jogging.

HI THERE, YOU'RE ON THE AIR!



Larry King's talk show goes to more than 130 stations nationwide on the Mutual network.

PHOTO: MARY TUTHILL

All-talk radio mesmerizes listeners and pulls in advertising revenues

By Mary Tuthill

WHO LISTENS to all-talk radio, especially after midnight?

Millions of Americans do, and they are not just cooks in all-night diners, taxi drivers, building guards, and insomniacs.

No one knows how many for sure, but there are legions of listeners, both at night and during the day. The audience keeps growing, and at least one famous American, if not a listener, appreciates the town-meeting appeal of all-talk radio.

This past summer, President Carter stepped off the *Delta Queen* to field questions on an all-talk station. For him, it was a verbal pressing-the-flesh session with the voters. But for fans of

all-talk shows, talk is the name of the game—people calling in to debate, exchange views, air gripes, and just plain visit.

"It's so intimate," says one listener.

"It's addictive. Once I get started, I don't want to stop."

"It's like visiting with a friend in your home."

These are just some of the reasons people give for the hours they spend listening to all-talk stations.

Little change

All-talk is basically an AM station exclusive. During daylight hours, these stations cover about the same areas as FM stations. But after sunset, signals in the AM bands can be picked up thousands of miles away while FM transmissions show relatively little change in reach.

Powerful clear-channel stations such as WBZ in Boston have long legs. Larry Glick, the popular host for part of the evening, finds himself talking one minute to a taxi driver in downtown Boston, the next to a housewife

in northern Virginia, or to a businessman near Montreal.

The listening audience varies considerably, too. There are the diehards who tune in for hours, while others listen only when driving to and from work. Until relatively recently, the shows were aired during the day and after midnight, but more stations are offering all-talk in the early evening.

Back in 1959 and 1960, several stations that wanted to try something different started using a talk format.

"When we started 20 years ago, people thought it couldn't be done," says Robert Highland, CBS regional vice president and general manager of station KMOX in St. Louis, Mo. "We started the all-talk format to inform people, and we found that listeners and callers wanted a forum."

New image wanted

Bernard Hoberman, then vice president and general manager of KABC in Los Angeles and now president of ABC Radio, says KABC went into talk shows because the station wanted a

new image, something to set it apart from the rest of the pack.

"The talk show had to develop for about two years before the community and advertisers got with it," he says.

Now, stations are doing their own talk shows in every major metropolitan area, and hundreds of smaller stations are using talk shows produced by

the major networks. Asked why talk radio has become so popular, those in the business have several answers:

- It fills a need for people who are lonely.
- People like to communicate, to ask questions and express opinions.
- It's a good way to keep up with current issues.

• People still want to get involved with others.

"It's a pressure valve for the community," says Mr. Hoberman. "Somebody says something that triggers a response, and people feel compelled to call in and add their own views."

Many nighttime listeners say that when they get home they are wide awake, but all their friends are asleep, so talk shows fill the void.

Others listen because they have insomnia—and a lot of this listening is done with headsets so as not to disturb the person on the other side of the bed.

Most soothing sound

Psychologist Julian S. Frank says that all-talk radio helps fill a need for human contact. "Most people go through life with very little human contact. We talk to computers in banks and telephone answering machines, but that's not very satisfying."

"The talk shows give people a chance to hear the human voice, which is the most soothing sound the average person hears. And by calling in, a person can get a dialogue going and really communicate."

The reason more and more stations are changing to the all-talk format is easier to pin down. It pays. People not only listen, but also, some advertisers say, they listen more closely to talk shows than to music stations. Advertisers generally report better responses to their commercials on talk stations.

"Talk stations develop more slowly than music stations in terms of dollars," says Frank Scott, vice president and general manager of WRC-AM in Washington, D.C. "But they often come in with better profits at lower ratings."

"A study used by the industry shows that listeners hear about 31 percent of what is said in spot announcements on a good-music station and about 67 percent of an announcement on a talk station," Mr. Scott explains. WRC recently increased its rates for spot advertising by nearly 30 percent.

More staff, bigger budget

Nevertheless, talk shows are not for all stations. Everyone involved in talk radio agrees that it takes a larger staff and a bigger budget to produce the shows.

"Only a major market will sustain an all-talk station," says Charles D. Fritz, general manager of WXYZ in Detroit, whose station recently changed to a talk format.

"Anyone can play records. Talk



Owen Spann (left) of KGO radio in San Francisco conducts the station's first on-the-road interview with Egyptian Ambassador Ashraf Ghorbal in Washington. The show was such a success that remote broadcasts are now part of KGO's format.



All-talk radio programming requires large staffs. At station WXYZ in the Detroit area, Morning Newstalk producer Rick Shannon (standing) briefs co-hosts Tom Bell and Tom Hopkins just before a sports update by Joe Pellegrino.

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show people are like stars," says Rick Sklar, vice president of programming for ABC Radio. Certain personalities appeal to various groups of listeners, and it takes a large staff to appeal to a broad market. But, he says, "once you get good people established in that format, you're in a stable situation."

Controversy builds ratings

Talk shows cover different kinds of programming, because almost every station wants to be a little different from the competition. Controversial personalities made the difference for KSTX in Salt Lake City when that station first started talk shows in 1967, says owner Starley Bush. So did the station's open discussion of the war in Vietnam.

When the station moved away from controversial personalities, its ratings slipped. Now it is climbing back, but this time through the airing of controversial subjects rather than personalities.

The aim of any station is, of course, to attract as many listeners as possible by providing something for everyone. In any one day, a station's programs may range from diet to diplomacy, insurance to incest, and news to nudity.

Talk show hosts, often called communicators in the trade, find there are a few sure-fire, all-around attractions, some of which depend on the time of day or the part of the country. Among them are shows dealing with gardening, home improvement, sports, or pet care.

Psychics are favorites

However, interviews with psychics seem to generate a greater number of telephone calls than most other shows. Larry King, a veteran host who is now doing an all-night interview show for Mutual Broadcasting Co. from the nation's capital, recalls a night he interviewed psychic Irene Hughes.

"The next day we got a call from a man who lives near the station in Alexandria, Va. He said his telephone number is just two digits off from the number of the station, and he frequently gets a wrong number.

"But that night, he got 60 wrong numbers. He said the callers were interesting, and if he hadn't spent time talking with most of them, he probably would have had more calls. His only request was: 'Tell me the next time you have a psychic on the show, so I can leave town.'"

Telephone calls are the major part of talk radio, but are handled in different



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A Litany of Delights for Visitors and Sportsmen

The Argentine nation, in the extreme south of the Americas, is shaped like a gigantic triangle, featuring: the Andes Mountains to the west; deep ravines and subtropical jungles to the north; and the majestic Parana and Uruguay Rivers, which join to form the huge estuary of the River Plate and the Atlantic Ocean, to the east. Tierra del Fuego, the mysterious island of legendary fame, forms the apex of the triangle. Thereafter, the vast and frozen Antarctic Plateau.

Four times the size of Texas, continental Argentina covers 1,072,067 square miles and, with impenetrable jungles; extensive Pampa plains; a mountain range with the highest peaks in America; a lakeland of breathtaking beauty and length; the Fueguino Channels; and the awesome Antarctic territory. . . . possesses every imaginable climate as well as a vast litany of unique delights for both casual tourist and active sportsman, alike.

Angler's "Heaven"

Iguazu Falls, in the heart of the jungle to the north, forms a vast amphitheatre, where the mighty Iguazu plunges 231 feet in the form of 270 falls—which includes "Devil's Gorge", one of the wonders of the world—into the Parana River. The Parana traverses the northeast of Argentina and its fast-flowing waters are the habitat of the "Dorado", the voracious indigenous South American fish. This terrific fighter, known as "the tiger of the waters", is much coveted by anglers the world over. Orange in color and with very tasty flesh, the "Dorados" enormous mouth, set with strong teeth in powerful jaws, can bite through a metal spoon. In season, "Dorados" weighing up to 25 kilos are caught at Paso de la Patria, where anglers from many countries gather for the challenge.

While down south, in the national parks of Patagonia and Tierra del Fuego, enormous rainbow trout and salmon of the *Salmo Salar* and *Sebago* species are found in season; the latter from November 1 through April 15. Fishing, in most of Argentina's waters, can be indulged in to one's content, subject to only a minimum of requirements.

San Carlos de Bariloche, at the foot of the southern Andes, is also a site for sportsmen. A tourist center "par excellence" in the heart of the lake district, Bariloche is an ideal holiday resort on majestic Lake Nahuel Huapi, the largest of many formed by melting snows and surrounded by snow-capped mountains. The entire region is a veritable angler's paradise with plentiful trout and salmon plus red deer and wild boar in the game preserves nearby. During winter (July and August), the ski runs on Cerro Cathedral attract skiers from Europe and Canada to this most beautiful corner of Argentina's one million square miles.

Further south, one finds the ongoing litany of unusual tourist delights. Examples include: the imposing Moreno Glacier . . . reminder of the Ice Age; Ushuaia on Tierra del Fuego . . . southernmost city of the world.

While space prohibits additional listings for both visitors and sportsmen, one cannot omit the Republic's hospitality and human warmth. Such traditional qualities have not been affected by the difficult circumstances through which the Republic has passed. "Come, visit us and see for yourself!"

This monthly column of information reports on developments in the Argentine Republic, and is sponsored by the Ministry of Foreign Affairs & Worship, San Martin Plaza, Buenos Aires, Argentina.

Readers' inquiries are welcome.

ways. Some stations have a toll-free number for listeners to call, while others do not. But, judging by the number of calls received, having to pay the charges does not deter those who have something to say.

A large part of the time charged can be spent on hold, waiting for a chance to get on the air, but that doesn't seem to bother callers, either.

Long-distance callers

The Larry King show, which is broadcast coast to coast, gets calls from as far away as Hawaii, at the caller's expense. Why are people willing to spend that kind of money to call a talk show?

Marshall Kavesch, who has called the King show more than once from his home in Illinois, says: "I was upset by something that was said by a guest on the show and felt I had to call. Where values are concerned—a matter of principle—money isn't that important."

Some people who listen while driving feel strongly enough about what is being said that they stop and call from service stations and roadside telephone booths.

George Lemich, radio programming director of KSL in Salt Lake City—another station that does not have a toll-free number—says that in addition to the usual calls from Wyoming, Montana, and California, the station frequently gets calls from Canada. "People everywhere perceive the station as an extension of their lives," he says. "They want to express themselves and get involved."

Time delay

Stations also differ in accepting calls. Many screen calls for interest and relevance to the subject under discussion; others do no screening at all. But all have a several-second time delay that enables the station to cut off crank or obscene calls before they are broadcast on the air.

How the host handles the calls that do get through can make or break a show. If a caller is allowed to talk too long or stray too far from the subject of discussion, listeners get bored and switch stations. But getting people to come to the point quickly or ending a call from a verbal wanderer gracefully is a necessary skill for successful talk-show hosts.

There are exceptions, of course. Some hosts rely on a caustic wit; some are bellicose; and others insult everyone. And some listeners love it. There

are those who say they hate the show's host, but, in the same breath, also say they hardly ever miss a show.

Comedy is perhaps the least used format, but was moderately successful in the hands of Mort Sahl, who applied his comic touch, albeit caustic, to political issues in a show broadcast from Washington for about five months before being dropped earlier this year.

Mr. Sahl, who has returned to the West Coast to work in movies and television, says of his job in Washington: "The show gave me an opportunity to talk directly to a city of clones." Remarkable one of his former listeners: "Sahl bombed because he is over the hill, a sixties hanger-on."

A lot of homework

Whether the subject is politics or poodles, of national importance or a local incident, station managers agree with Mr. Bush of KSXX in Salt Lake City that "the most important thing to make the show go right is interesting and well-informed communicators."

Mr. Hoberman says: "Hosts have to know a little bit about a lot of things and do a lot of homework."

But guests still seem to be the main attraction. Over the years, KMOX in St. Louis has had as guests former First Lady Eleanor Roosevelt and First Lady Rosalynn Carter. Larry King has interviewed former President Richard Nixon and is still trying to get President Carter as a guest.

With so many talk shows, what is happening to the market? Will the audiences and advertising revenues continue to grow? What can compete with talk radio?

Right now, the main competition is from stations playing disco music, says ABC's Mr. Sklar. But those stations usually attract younger listeners. He believes there is still room for growth in all-talk radio and predicts an increase in the number of news-talk shows. "The shows may provide for an older audience what disco does for its listeners."

Big chuckle

Charles H. Crutchfield, president of Media Communications, Inc., in Charlotte, N. C., thinks there is still room in the market for more talk stations. "But the people who think it is new give me a big chuckle."

Mr. Crutchfield, a former announcer who got his start in radio programming in 1929, says: "Then it was all talk shows and record playing. We did the first man-in-the-street interviews.

We had guest speakers and groups." He recalls having the seven remaining Confederate soldiers on his show. They gave the rebel yell, and each told about his part in the Civil War.

"In the thirties, it was quite a novelty. Later, the talk show as we knew it was replaced by soap operas."

People in radio watched the ratings just as much then as they do now. "We found that if we bunched the soap operas, running three or four in a row, the rating for all would go up. Then we found the ratings would go up even more with eight."

Music stations went through the same sort of cycle until talk shows were reintroduced. "It was not surprising to me that this thing caught on," says Mr. Crutchfield. "Too many music stations were doing the same thing."

Now, all the indicators point to further growth in talk radio, until the day when too many stations will again be doing the same thing. "Nobody is ready to predict what the next attraction will be, but the chances are it won't be something new," says Mr. Crutchfield. "People will just think it is." □



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Company Codes Are Not Uncommon

NEARLY three fourths of American corporations have written codes of ethics, according to a survey. But only one third of them distributes the code to all employees.

The survey, conducted by Opinion Research Corp. of Princeton, N. J., was sponsored by the Ethics Resource Center of American Viewpoint, Inc., in Washington, D. C. American Viewpoint was founded in 1922 by teachers and school administrators to foster principles of citizenship.

The resource center questioned 650 corporations, 600 trade associations, and all of the 134 graduate schools of business in the United States. Overall response rate was 41 percent.

The survey found that large companies are more likely to have written codes of ethics than small companies. Half the codes were developed within the past four years; 69 percent were updated within the past two years.

Despite the limited distribution of the codes, 83 percent of the corporations with codes believe their employees are familiar with them. The responses broke down into 31 percent, very familiar, and 52 percent, fairly familiar.

Sixty-one percent of the written codes consist of general principles only; 15 percent are specific, and 23 percent are a combination.

Corporations split on specifying how the code provisions will be enforced. The most common sanction for violation is dismissal or possible dismissal, a practice followed in slightly more than half of the corporations with codes. One fifth of the companies reported having no sanctions; one fifth gave no response to that question.

Of the companies with codes, 94 percent prohibit activities outside the company that might involve conflict of interest or the appearance of such conflict. Ninety-seven percent specifically prohibit the giving or taking of bribes, kickbacks, or other favors to influence business decisions. And 62 percent prohibit the abuse of expense accounts, special allowances, and perquisites.

Sixty percent believe it would be beneficial to their companies if the

written code specifically stated that all information released to the public and all product or service advertising must be honest and forthright. "On the other hand," reports the polling firm, "about a third of the companies saw no benefit from such an inclusion in their codes of ethics."

Whether or not they have a written code of ethics, 75 percent of the companies assist law enforcement agencies in the prosecution of employees who violate the law. Eight percent do not give such assistance; six percent say it depends on the violation; and 11 percent did not respond to that question.

The percentage of firms assisting law enforcement agencies varies little from companies with codes to companies without codes.

By industry type, 100 percent of the transportation firms that responded say they help law enforcement agencies. At the other extreme, 50 percent

Most prohibit outright the giving or taking of bribes, kickbacks, or other favors to influence business decisions

of the companies involved in resources and raw materials say they would give such assistance, while 25 percent of these say they would not.

Unlike corporations, most trade associations—59 percent—do not have a written code of ethics. Most association officials agree that a code would be beneficial, but the difficulty of enforcement and fear of antitrust violations bar written codes.

Only 16 percent of graduate business schools say they have separate courses in ethics, but 98 percent say the subject is included in other courses. □

PHOTO: LINDA BARTLETT—WOODFIN CAMP, INC.



Business Life-Style

In the days of the hand press, fewer books were printed. This press, once used by Benjamin Franklin, is now on display at the Smithsonian Institution in Washington, D.C.

Before the invention of photography, ornate drawings were used to illustrate books, such as this one on botany.



PHOTO: ROBERT DWIGHT—PHOTO RESEARCHERS, INC.

PHOTO: LINDA BARTLETT—WOODFIN CAMP, INC.



In the main reading room of the Library of Congress, collectors and scholars may enjoy one of the world's great collections.

The Lure Of The Written Word

By John Castello

REMEMBER THE WAR?" Irwin T. Holtzman asks. He's referring to World War II. To some, that's like asking Noah: "Remember the flood?"

But Irwin Holtzman isn't absent-minded. He's a book collector and single-minded.

The war ended in the fall of 1945. That was just before the appearance of *The Portable Faulkner*, an important literary event that made more of an impression on Mr. Holtzman than the Japanese surrender aboard the battleship *Missouri*.

At the time he was a freshman at the University of Michigan in Ann Arbor. Finding *The Portable Faulkner* at a local bookstore changed him from a former collector of comic books and paperbacks to a serious collector of 20th-century literature in hardback.

What does he collect? "Prose, poetry, criticism, and drama—but only that published in my era, since 1927, the year I was born."

He collects about 150 authors, but William Faulkner is number one.

Who's number two?

"Except for F. Scott Fitzgerald, everyone else is number two," says Mr. Holtzman.

Remember the scene from the Bogart-Bacall movie, *To Have and Have Not*? A sultry Lauren Bacall is leaning against a doorjamb, glaring at Humphrey Bogart.

"What did I do?" he asks.

"Nothing," she replies, "that's the whole trouble. What's more, you don't have to do anything."

"Not a thing?"

"Oh, maybe just whistle," she replies, opening the door to her bedroom. "You know how to whistle, don't you?" she asks sarcastically. "You just put your lips together and blow."

The voice belongs to Miss Bacall, but the words are Faulkner's. The script was one of more than 50 he worked on for Hollywood moviemakers.

This is the kind of incidental information you soak up when you're a bibliophile and Faulkner fan like Irwin Holtzman.

Why was this legendary writer toiling away in a Tinsel Town script mill?

"Money. His books weren't selling," Mr. Holtzman explains. "His books in the twenties and thirties were small printings. He wasn't popular at that time. His popularity really began right after the war, with *The Portable Faulkner*. It was a comprehensive review of a neglected author—what he had written, with his biography.

"His novels and stories are all related to Civil War times, slavery, the Indians who were displaced by the planters. And those are the great themes of our history: The settling of the land and the Civil War.

"It's heavy material," says the Michigan builder, a partner in Holtzman & Silverman, Southfield, Mich.

Collecting takes a lot of his time, but not tons of money.

"Most of the items," he says, "cost between \$5 and \$25."

Still, a lot is spent on buying books—if not collecting them. In 1978, the Association of American Publishers estimates, Americans laid out \$5.8 billion for books of all kinds.

MANY BIBLIOPHILES build a collection around an author. Others collect by theme or subject matter.

There are, for example, famous collections of detective stories, medical books, botanical works, and science fiction. The Library of Congress's collection of books, pamphlets, broadsides, and memorabilia about Lincoln and his time is known the world over.

Few collect rare books like the priceless Shakespearean

folios in the Folger Shakespeare Library in Washington, D.C. Or the famous 42-line Gutenberg Bibles. They are worth a fortune. One went for \$2 million at an auction two years ago in New York.

These prized volumes are too rare and costly for the average book collector. More and more, they find their way into the hands of well-endowed institutions or the fortunate few who manage to accumulate or inherit wealth, despite the best efforts of the Internal Revenue Service.

But trying to collect all books would be like soaking up the sea with a sponge.

Between the mid-1450s when printing with movable type was invented and 1500, an estimated 40,000 editions came off the press. Each ran from 300 to 500 copies, specialists say. And that's a mere trickle, compared with today's torrent of books. More than 40,000 titles and millions of copies were published last year.

WHAT KIND of hobby is book collecting?

Not a thrill a minute, like battling a 1,000-pound blue marlin on a light line off the Great Barrier Reef.

Nor like dropping a 30-foot putt to break par at Pebble Beach.

Nor like running before the wind on a racing sloop, sails bellying, stays straining, spine tingling.

"It's a quiet, lonely pursuit," says Janet Weir, executive vice president, Mefford Weir, Inc., Denver, Colo.

"And that's nice after all the hectic activity five days a week, with constant deadlines, working under pressure. After all that, books are a great solace. They offer you a kind of contemplative withdrawal."

For some, this has its drawbacks. For example, the Orange Crush. That's one nickname for the Denver Broncos, who with their orange jerseys and a crushing defense have turned football rivals into jelly.

It's also the name of a mania that swept Denver last year.

It meant that, if possible, you

squeezed your way into Mile High Stadium to see the team play. If not, you caught the game on the tube.

But the Orange Crush never even made a dent in Mrs. Weir's weekends. That time she spends with her books on art and typography.

I COLLECT," she says, "for aesthetic reasons. I read my books. And I have a scholarly interest in them. I study their graphic elements and identify typefaces.

"I love a beautiful book. I like it to be everything. In the book-collecting world, you're always looking for the perfect book—the perfect combination of cover, content, typeface, layout, and style."

Even language isn't a barrier for this kind of collector. One book that comes close to perfection is a collection of stories about St. Francis of Assisi.

"It's printed by Ashendene Press, a private firm that existed in England early in the 20th century. It's beautifully set in a Subiaco typeface, developed by Ashendene.

"Subiaco was one of the earliest Italian typefaces, designed and cut, I believe, by Nicolas Jensen in the 15th century."

Mrs. Weir can enjoy the book, but not read it.

"It's in Italian."

If you run across a mint condition copy of John Horgan's novel, *No Fault of Angels*, you're the envy of Sally V. Zaiser.

Horgan is the only author she collects. She has copies of most of his novels—in good condition. But not his first.

"Like most collectors," she says, "I'm very fussy about condition. Ideally, you want a book that looks as if it had just come off the press. But the cover of my copy of *No Fault of Angels* is faded on the outside. It wasn't protected from the sunlight.

"I'd love to find a fine copy."

Two things made her a collector, she believes.

"I was born into a book-loving family," she says. "My mother taught me

to read before I was five. It was either that or read to me herself.

"Secondly, I love New Mexico. I started out thinking I would collect something on its history. That's when I discovered Horgan. Much of his fiction has an historical background.

"New Mexico's blending of three cultures—Indian, Spanish, and American—is carried out so beautifully in some of his works.

"I really became a collector when I began specializing with Horgan. Before that, I was just an accumulator—a book buyer, not a collector."

Mrs. Zaiser is secretary-treasurer of John Howell Books, a famous San Francisco dealer whose published works are also part of her personal library.

"I'm a round peg in a round hole," she says, "a book collector in the book business. When you talk about a labor of love, you're talking about my job."

FRANK H. MEFFORD would be happy with a sun-bleached copy of *No Fault of Angels*, if he collected the author's novels.

"Mint condition," he says, "doesn't mean a thing to me."

Lucky that it doesn't, for the books that he collects—on international law, early travel in the Middle East, and Arabs and Islam—are mostly well used.

World War II took him, California born and bred, to the South Pacific and the Far East as a young Navy officer.

"That experience left me with the idea that I'd like to continue to travel."

He wound up in Beirut and Libya, working for American oil companies, after law degrees from UCLA and the Sorbonne and postdoctoral work at the University of Cairo. He's now senior counsel at Esso Exploration, Houston, Texas.

"I don't recall ever buying a book because it was lovely or old," he says. "I found myself collecting books that were old or first editions because they were the only ones available in my areas of interest."

His collection is in three lan-

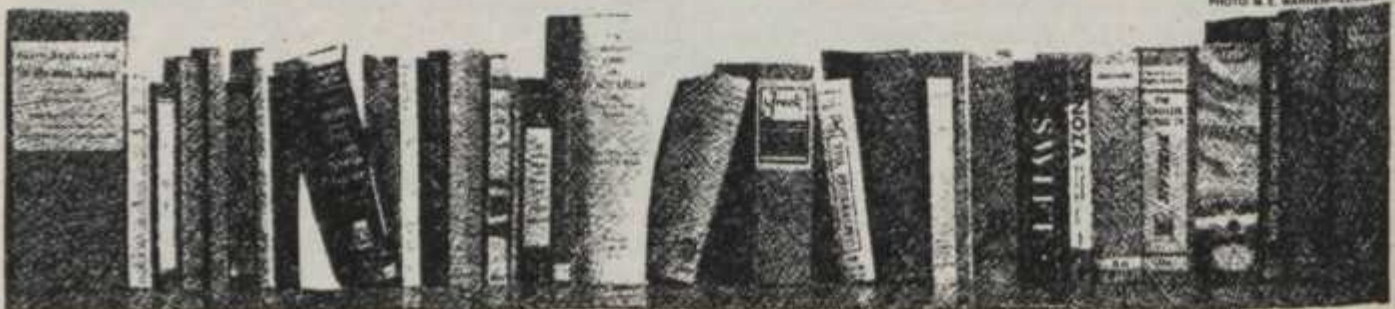
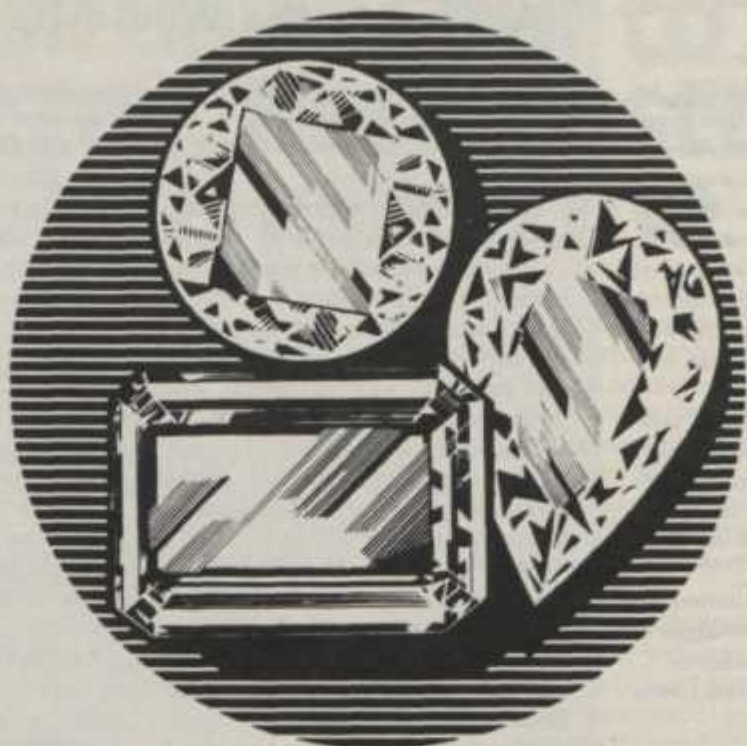


PHOTO BY M. E. WARREN-LEHMAN



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Drawings enlarged to show detail. © 1979 International Gem Finders Society

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guages—English, French, and Arabic.

Miss Tully's diaries are one of his first editions.

"She was the sister of the British consul at Tripoli in the early 1800s," he says. "The only foreigners in that then-Turkish state were the consular representatives of the European powers."

"She was just a lady who liked to travel, gossip, and write letters."

"She was privy to the inner council of the ruling class, knew the mores, the intrigue in the palace, and the way things were done in the Turkish empire throughout North Africa."

"Her letters were collected and published. She left behind an irreplaceable record of the times, a charming book full of anecdotes, but also a basic historical document because of its first-hand observations."

He found his copy, published in 1917, in a London bookstore—Mags & Son in Barnaby Square, he believes.

Reading it is like sitting down to tea with history.

MARK HIME, like most bibliophiles, buys only first editions. But unlike many of his fraternity, he never collects by author.

"And not books that are merely beautiful or historically important. My wife, Melissa, and I collect books that have had an impact on us as adults or children. The books must have substance, but they must be entertaining as well as instructive."

"We collect fiction. Our interests range from *Winnie the Pooh* to *Ulysses*, both of which we have in our library."

But heavy hitters like Charles Darwin's *The Origin of Species* couldn't get past his library door in Idyllwild, Calif. True, it's a blockbuster.

"But I wouldn't buy it," Mr. Hime explains, "because I wouldn't want to read it. It wouldn't hold my interest. If I wanted to learn something about mankind, I'd rather read *Moby Dick* or Joseph Conrad's *Lord Jim*."

"We collect over a broad time span, maybe two and a half centuries. I might walk into a bookstore and buy a

Advice to the Would-Be Bibliophile

If book collecting appeals to your acquisitive instincts, here are a few facts to remember before starting to collect.

In books, age isn't the same thing as value.

"An old book no one wants is valueless," one bookseller explains. A book's worth depends on the size of the demand and the amount of supply—much as with oil, wheat, and other commodities or collectibles.

The edition is important. Most collectors want a first edition. Bibliophiles can give you lots of reasons for this preference.

"It is neither enough for the collector to have access to the books in some library nor to have them in paperback reprints or battered old copies," says Seumas Stewart in *Book Collecting: A Beginner's Guide*.

"He must get as close as he can to the fountainhead, so he begins to look for first editions."

William Matheson, chief of the rare books and special collections division of the Library of Congress, puts it this way in *Book Collecting: A Modern Guide* by Jean Peters:

"The first edition is the one the author is most likely to have personally seen through the press and the one to which he or she is likely to have paid the greatest attention."

But there is a dollars-and-cents explanation, too.

"Why a first edition?" asks one vet-

eran book collector. "It's value. If a good copy of a first edition is worth \$40, a good copy of a tenth edition is worth a buck."

Condition is equally important. Even a sun-bleached dust jacket makes a first edition less desirable to collectors—and worth less—than one in mint condition.

Warren Howell, a San Francisco dealer who bid \$1.9 million for a Gutenberg Bible that finally sold for \$2 million, offers this advice: "Always remember condition."

Take a rare first edition worth \$3,000, he says. Drop it and break the spine, and you then have a cripple worth no more, perhaps, than a new copy of a recent best seller.

The same preference is common to most collectors. Philatelists don't want a stamp mutilated or smudged by a cancellation mark. And collectors of fine French antique furniture don't bid on a chair that has termite damage.

How do you learn value? You'll have to bone up on that.

That's the bad news.

The good news is that book collecting need not be an expensive hobby.

"There are many book collections that have been put together for as little as \$100," says Mr. Howell.

"All you have to have is a little imagination and an idea of what you want to do."

first edition of *Tom Jones* or of *Brave New World*.

"But our books fit together."

What's the common denominator?

"Well, we put together a library of the great novels of the western world. That's the kind we collect."

What does a collector get out of all the time and effort he or she lavishes on book collecting?

"I would say," he replies, "that the

greatest pleasure is the place we have found for ourselves in the antiquarian book world.

"As collectors, we have a position there that we would never have in the art world; because art's so expensive to collect."

"The book world is a small, select society. We have a lot of friends in that world and a whole life that centers around it." □

PHOTO: R. E. WARRER—LENSMAN



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Even Charlie was surprised. I showed him the computer analysis. We worked things out—and now he really is my best customer.

These detailed sales and management reports are great. I never got information like that before.

But the System 200 really earns its keep (less than I'd pay a clerk) by doing every bit of our accounting. Processing transactions as they happen, so all records are current.

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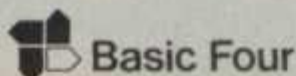
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NB-10





Influencing customers in the store through displays, posters, and special offers is the purpose of point-of-purchase advertising.

PHOTO: INSTITUTE OF OUTDOOR ADVERTISING



Eye-catching outdoor billboards placed along the nation's heaviest traveled roads are an inexpensive way to reach large audiences.

PHOTO: POLAROID CORP.



Loyal readers are a major reason newspapers receive the bulk of local advertising, but now more national magazines are competing for those dollars.



Hollywood celebrities and sports stars are popular product endorsers. Polaroid has had great success with pleasant banter between TV personalities James Garner and Mariette Hartley.

ADVERTISING:

Never Have So Many Sold So Much to So Many

Nation's Business
**INDUSTRY
SPECIAL
REPORT**



By Michael Thoryn

A NOTABLY outrageous and unscrupulous advertising campaign was used to entice colonists to the New World. Historian Daniel J. Boorstin, who is now the Librarian of Congress, writes: "Brochures published in England in the 17th century and even earlier were full of hopeful overstatements, half-

advertising is frequently attacked by consumer groups and government agencies.

Advertising, says the American Association of Advertising Agencies, is a major economic tool of American industry, used by companies large and small to promote their products, brands, and rep-

thews, president of the advertising agency association. "A bad ad on television or in the newspapers is right there in front of God and everybody to see.

"Advertising is not a science nor an arcane art. It is a creative combination of art and science directed toward selling. Good ads are efficient multiple salesmen, reaching many people at one time, quickly, and at relatively low cost."

Agency organization

To succeed at this selling task, an agency hired by a national advertiser is generally divided into four main divisions:

Creative services. Writers and artists conceive, write, design, and produce print ads and commercials.

Client services. Account executives maintain a working relationship between the agency and the advertiser client.

Marketing. Researchers pinpoint the combination of media that will efficiently reach the intended consumers of a product or service.

Administration and finance. Executives, most of whom have risen through the agency ranks, handle the details common to all businesses.

Large local advertisers such as department stores usually have an in-house staff to prepare and place advertising. Small advertisers often rely on local newspapers and radio stations to help prepare their material.

Current expansion

For all who prepare and place ads, the past three years have been good ones, says Robert J. Coen, director of media research at McCann-Erickson, Inc.

Mr. Coen says advertising, whose share of the gross national product historically hovers around two percent, has outperformed the economy as a whole since 1975.

A 12.1 percent increase in media revenue from national advertisers is predicted for 1979. Ad agency profit margins



Advertising takes many forms. The most basic is a sign. In congested areas, signs are becoming larger and higher to compete for the consumer's attention.

truths, and downright lies along with some facts that nowadays surely would be the basis for a restraining order from the Federal Trade Commission. Gold and silver, fountains of youth, plenty of fish, venison without limit—all these were promised, and, of course, some of them found."

Today, more than 300 years later, advertising is all around us. Handbills and brochures are supplemented by ad-laden newspapers and magazines and by commercial-ridden radio and television. On the highways are eye-catching billboards; on the buses are advertising posters; and directly delivered to the home are flyers and letters, often denigrated as junk mail.

Because of its visible, often obtrusive nature and its impact on our daily lives,

advertising agencies are admired and despised. Their creative mystique has spawned movies, books, and television shows and made Madison Avenue an international catch phrase.

Advertising is a \$49 billion-a-year business that is spending about \$200 per U. S. citizen this year. The 6,000 agencies, mostly clustered in New York, Chicago, Detroit, Los Angeles, and San Francisco, employ about 135,000 people.

Besides the agencies and specialized firms such as media buying services, the industry encompasses individual company ad departments.

Why is advertising so consistently criticized for misleading the public?

"It has been said that we commit all our sins in public," says Leonard S. Mat-



are at their highest in a decade. Agencies typically collect 15 percent of total media billings as their fee.

There is no set formula on how advertising helps sales. It does help, but neither corporate executives nor business scholars know at what point advertising pays for itself through increased profits. Instead, most companies use a certain percentage of sales or anticipated profits as a rule of thumb for allocating advertising dollars.

Unless there is a serious recession, Mr. Coen expects growth to continue: "The current expansion will not be a

short-term phenomenon. A great deal of catch-up advertising is still needed. New products, fueled by the good profit performance of the past three years, are not going to be cut back."

With all ad media showing gains, strong increases have been made by magazines and radio. Magazines have benefited from two factors: Their ability to target messages to special audiences and media switching by advertisers dismayed by television price hikes.

Charles Mill, president of the American Business Press, a magazine industry trade group, adds a third factor. "I

think the number one reason for growth in business magazine advertising is the cost of an industrial sales call, now reaching \$100. That cost has forced businesses to find other means of reaching customers, namely magazine advertising."

Radio, which already takes in more ad dollars than magazines, attracts listeners by using diverse formats such as disco, country and western, all talk, all news, and beautiful music.

Charity appeals

Direct mail tries for precise targeting to people who may be interested in a particular product, service, or fact. It includes subscription solicitations, charity appeals, political fund-raising, annual reports, catalogs, and coupons. In all, U. S. business spends more than \$6 billion a year on direct mail advertising and billions more on newspapers, television, and magazines to encourage a response by mail or telephone.

Newspapers remain the top recipient of ad dollars with a heavy diet of local display advertising and columns of classified ads offering products and services and seeking employees, bids, and investment funds.

Says a spokesman for the Newspaper Advertising Bureau: "Newspapers function as an information medium. People go to papers to find ads. That's different from having broadcast commercials forced on you every few minutes."

Forced or not, television can deliver audiences in the tens of millions. As a result, TV ad volume has grown more rapidly than other media for almost a decade. The largest growth comes from higher prices charged for commercials on prime-time network programs.

For example, a 30-second commercial on *Three's Company*, a successful show on top-rated ABC, will pull in \$135,000 this fall.

Pet food and supplies

Often overlooked is point-of-purchase advertising—displays, signs, and posters used in stores where the final sale is made. A survey by the Point-of-Purchase Advertising Institute found that more than half of all supermarket purchases of pet food and supplies are in-store decisions.

A successful ad campaign might use any or all of these media, but the Federal Trade Commission is concentrating its regulatory efforts on television.

The independent agency, which is authorized to deal with deceptive and misleading advertising, has proposed rules to restrict commercials directed at chil-

PHOTO: AMERICAN ASSOCIATION OF ADVERTISING AGENCIES



They Laughed When I Sat Down At the Piano But When I Started to Play!—

This headline for a home course in piano playing launched the "they laughed" school of ad writing and put John Caples in the Copywriters Hall of Fame.

What to Ask the Agency

The process of selecting an advertising agency can be frustrating for even the most sophisticated executive.

Hours of reviewing dazzling presentations from hyper ad types can confound rather than clarify unless the executive knows exactly what he wants.

"Quality advertising does not happen by accident," says Herbert D. Fried, chairman of the board of W. B. Doner and Co. of Baltimore, Md.

Mr. Fried suggests that potential agency clients ask these kinds of questions:

Do the ads reflect the written goals of the advertiser, or were they created because they were clever? Did the agency's marketing and research departments thoroughly examine the client's needs and advise him on how to get the most for his money?

Do the ads demonstrate quality

work as well as quality thinking? As showy as a commercial or print ad may be, it's the product that must be remembered by the public. The ad should be a vehicle to sell the product.

Does the agency have enough talent and depth in its various departments to give a modest advertising account as much respect and effort as a big spender?

Have the agency's clients been growing with the agency? Do the clients stay with the agency because its advertising has improved product sales? Does the agency ensure its clients' satisfaction?

The agency-client relationship is a lot like a marriage. There is a courtship and a honeymoon. There are many periods of seven-year itch. But overall, very few companies can live without advertising.

Kids don't knock "the system" when they know how it works.

SPONSOR "ECONOMICS FOR YOUNG AMERICANS" A PROVEN EDUCATION PROGRAM FOR SECONDARY SCHOOL STUDENTS.



Thanks to people like you, 12 million students in secondary schools and junior colleges across the nation no longer yawn at the word "economics," rail at the idea of profit, or feel that "Business" has nothing to do with them. They have discovered the positive nature of America's competitive enterprise system and its direct relevance to their lives, both present and future. Developed by teaching professionals for the National Chamber, "Economics For Young Americans" is a proven program of education which explains "the system" in ways which promote excitement and sustain interest.

Composed of filmstrips, cassette recordings, printed scripts and a teacher's guide, *one kit* can serve an entire school and hundreds of students. At \$40 per kit, that's quite a bargain.

Phase I explains Profits, Productivity, Money and Business/Ecology.

Phase II deals with Paychecks, Pricing, Business Competition and Savings.

Phase III, which will be available for distribution shortly, covers Investments, Careers/Jobs, World Trade and other Economic Systems.

If your area still doesn't have "Economics For Young Americans," this is your opportunity to sponsor distribution, your chance to help young citizens learn more about the way our competitive enterprise system works.

Do your part for the future health and strength of "the system." Send for further information or order today.

Economics for Young Americans

Mr. Robert H. Mosley, Project Director (202/659-6183)
Chamber of Commerce of the United States
1615 H Street N.W., Washington, D.C. 20062

We would like to make it possible for the students of _____ (schools) in _____ (county) _____ (state) to broaden their knowledge of basic economics by having ECONOMICS FOR YOUNG AMERICANS kits in their school(s) during the 1979-80 year.

If the area I've picked is covered, you may place these EYA Kits elsewhere in our state since I realize how important it is for *all* students to learn about the enterprise system.

No. wanted _____ PHASE I @ \$40 \$ _____
No. wanted _____ PHASE II @ \$40 \$ _____
TOTAL _____ \$ _____

- ☐ Bill me.
☐ Payment enclosed (make checks payable to Chamber of Commerce of the United States).
☐ I am willing to have my local chamber handle distribution.
☐ If there is no local chamber, have the National Chamber make distribution.
☐ I will make distribution myself.
☐ Please send further information.

NAME _____ PHONE _____ / _____

ORGANIZATION _____

STREET ADDRESS _____

CITY _____ STATE _____ ZIP _____

Where the Ad Dollars Go (Advertising outlays in 1978)

Newspapers	\$12.7 billion
Television	\$ 9.0
Direct Mail	\$ 6.0
Radio	\$ 3.0
Magazines	\$ 2.6
Business publications	\$ 1.4
Outdoor	\$ 0.5
Farm publications	\$ 0.1
Miscellaneous	\$ 8.6
TOTAL	\$43.8 billion*

*Figures do not add to exact total because of rounding.

PHOTO: PROCTER & GAMBLE

If there is one more, more than another, where a man appreciates a shower-bath at its true value, it is after a game of football.

Oh! But it is good. Good for the body! Good for the soul!

It soothes the nerves. It cleans the skin. It leaves the skin of velvet and it dissolves the joys of victory.

And it is marvelously simple. All you need, in addition to the shower itself, is a coarse towel and a cake of Ivory Soap.

This is the way to go about it. First, turn on the warm water. Then cover your body with the Ivory Soap lather. Rub it in thoroughly—again and again and ACAPS. Finish with cold water, using just enough to cool, but not to chill, the body.

That's how you can make your shower a happy, happy one to do.

Ivory Soap . . . 99% Per Cent. Pure.

dren. Public comments and hearing records are now being reviewed. A final ruling isn't expected until mid-1980.

Tracy Westen, a deputy director of the FTC's bureau of consumer protection, uses the example of a turtle given to a kindergarten class to demonstrate the impact that television ads have on children. When cautioned not to squeeze their new pet, the children promptly named the turtle Charmin.

"We believe it is only at the junior high level that a child is equipped cognitively and experientially to make the choices television advertising seeks to have the audience make," says Peggy Charron, founder of Action for Children's Television. "Before that age, all television advertising will inevitably deceive."

The kidvid conflict

The main target of the FTC is the advertising that promotes the consumption of highly-sugared products such as cereals, cakes, beverages, and candy.

The ad industry's reaction to a possible ban on television ads directed at children has been to strengthen its previously small Washington presence.

Mr. Matthews, president of Leo Burnett Co., Inc., Chicago, and an assistant secretary of Commerce before coming to the advertising association, says: "The ongoing conflict over children's television—or kidvid as it has come to be known—is essentially another one of those Alice in Wonderland things in which the FTC seems to specialize. What the commission is saying, in effect, is that children who buy and use various

products should no longer have access to information—through advertising—about these products."

On purely economic grounds, a TV ban on advertising to children under 12 would be difficult to justify. The initial loser would be the television industry, which would have to swallow an annual loss of more than \$120 million in toy, cereal, and candy commercials. Beyond that, a study by two economics professors at Lehigh University projects that lower sales of toys, cereal, and candy would result in substantial numbers of lost jobs and even a decline in gross national product.

Besides charges of electronic child molesting, advertising endures other sociological criticisms such as:

- Portraying women as housewives and mothers, shoppers, cleaners, and family cooks—minimizing their roles in business and community affairs.
- Promoting products some people find unacceptable—condoms, liquor, feminine hygiene items.
- Touting of meaningless product differences, which leads to proliferation of duplicative goods.
- Glossing over the dangers associated with such products as saccharin and cigarettes.

Overall misconception

The industry is responding to some of these charges; mature working women often turn up in ads these days, for example. But there is an overall public misconception, Mr. Matthews says.

"The public thinks we can sell anything to anybody. If we advertising folks had the ability to wave a magic wand and have the public rush out and buy—and keep buying—our products, why did we flop so miserably with Ford's Edsel . . . with Dupont's Corfam leather substitute . . . and with many other goods?"

Advertising Age, the bible of the industry, recently commented on the benefits of advertising: The work of ad agencies "is socially useful because by stimulating buying they help keep people employed.

"They bring news of new products to people and help stimulate the competition that leads to better products and useful services. At the same time, they play on people's anxieties to sell products and help convince people to spend money on frivolities.

"Ad people, like every other occupational group, are partly heroes, partly villains, and partly victims."

Samuel Thurm, senior vice president of the Association of National Advertisers, finds at least one untainted benefit.

Sincerity oozes from many early ads.
This Ivory Soap ode to showers ran in a 1907 *Saturday Evening Post*.

Where to Complain

Suppose you're incensed by a misleading, inaccurate, or offensive national advertisement. You can complain in writing to the National Advertising Division of the Council of Better Business Bureaus, 845 Third Ave., New York City, 10022.

Be specific about where and when you saw or heard the ad.

The division reviews and investigates all complaints, and most matters are settled through negotiations with the advertiser.

If the complaint cannot be resolved, it will be adjudicated by the

National Advertising Review Board, formed as a cooperative effort of the American Advertising Federation, the Association of National Advertisers, the American Association of Advertising Agencies, and the business council.

In a recent decision, National Car Rental's ad showing the Big Green Team with 10,000 people was upheld by the review board. A rival firm had complained that National didn't employ 10,000, but the company produced figures that convinced the board.

"With no ads," he says, "who would pay for the media? The good fairy? The federal government?" Advertising supports our free press, he adds, and keeps down the cost to consumers.

The popular view that advertising is a turbulent, high pressure world is mostly correct. There is much pressure in creative work, and the \$90 million switch of the Miller Brewing Co. account from giant McCann-Erickson to a new agency formed by two former employees provided plenty of turbulence.

Yet, accounts on the average stay with an agency nearly nine years, and a few clients have stayed put for 50 years or more.

No more Brand X

Certainly, the past decade has seen steady change. For example, comparative advertising in which a competitor is named and knocked has replaced the practice in which rivals were Brand X if named at all. However, comparative ads aren't for everyone.

An FTC attorney says: "Why should Procter & Gamble, the largest U. S. advertiser, which spends millions and millions advertising its products, give free mention to its competitors? But comparison is probably the most effective advertising technique for also-rans and new entrants."

Another new trend is advocacy advertising by business and industry. Among frequent practitioners are Mobil Oil Corp., Bethlehem Steel Corp., Aetna Casualty and Surety Co., and many utility companies.

Every four years political messages proliferate, taking larger and larger chunks of television's limited ad minutes and making a bid for public office an increasingly expensive proposition.

Advertising expansion will also come from doctors, veterinarians, dentists, lawyers, accountants, and optometrists previously barred by law or professional codes from advertising.

Special events

Another change in the industry is the acquisition surge that has made big agencies bigger and perhaps better able to handle multinational clients. The latest: Young & Rubicam will become the largest American-based agency with more than \$1.6 billion in billings when it completes the purchase of Marsteller, Inc.

The international advertising market has taken on the United States in earnest, surpassing for the first time domestic gross income and billings generated by U. S. agencies in 1978. The world figures are \$2.6 billion income on billings of

[illegible]

Since most men are sports fans, Gillette has tied many shaving ad campaigns to noted athletes.

almost \$17 billion, compared to \$2.4 billion income and \$16.2 billion in billings for U. S. agencies. Dentsu Inc. of Japan is the world's largest agency, according to *Advertising Age*.

More advertisers are trying to tie their products to special events, particularly sports. Gillette Co. has been connected with baseball's World Series since 1939 when the company purchased radio broadcast rights for \$100,000—an amount that wouldn't buy one minute of TV advertising on the series today.

Market research techniques have been fine-tuned. Tucker-Wayne Co., an Atlanta-based agency, compiles data on major cities to tailor ad campaigns for products to specific markets. By using what the agency calls discrete marketing, a client can identify potential high-use and low-use areas and concentrate its ad dollars.

In the years ahead, advertising industry analysts say the biggest change will be a fragmentation of viewing—more channels serving specialized interests.

William Donnelly, who studies electronic media for Young & Rubicam, says that by 1981 the TV choices could in-



Quality ads require lots of behind-the-scenes production work. Photographers and models spend hours to catch a seemingly casual pose.

clude a cathode ray tube with 36 channels for cable, three pay channels, a video cassette unit, videodisc hardware and software, video games, and a home computer unit as well as the now dominant commercial networks.

Things people need

By whatever media, the goal of advertising is to sell. Mr. Wasilewski of the broadcasters association says: "Yes, advertising certainly does sell people things they don't need . . . things like television sets, radios, ice cream, underwear, automobiles, mattresses, beer, and liquor."

"People do not really need these things, nor do they really need art or football or music . . . they do not absolutely need literature, cathedra's, newspapers, or summer vacations. All people really need is a cave, a chunk of meat, and possibly a fire."

But once people have those bare necessities, advertising will help sort out the options. □



To order reprints of this article, see page 56.

Recession Becomes a Near-Certainty

BUSINESS LEADERS are now considerably less optimistic about the economy than they were just three months ago. The latest survey of business confidence, conducted quarterly by the Chamber of Commerce of the United States and the Gallup Organization, shows an ebbing of confidence in many areas.

The nearly 1,000 executives who responded to the survey represent a scientific sampling of U.S. business by size, industry, and region.

The most startling change is executives' response to the probability of recession during the next 12 months—a 73 percent chance in the latest survey, up from a 50 percent chance last spring.

The survey shows a smaller but still significant increase in the probability of double-digit inflation during the next 12 months—a 72 percent chance now, compared to 64 percent last

spring and 52 percent last winter. Seventy-three percent of executives think the government will do a poor job of fighting inflation in the next year; less than 0.5 percent believe it will do a good job.

Less favorable climate

Many executives do not expect problems of recession and inflation to be solved quickly. In the latest reading, 38 percent expected more bad times than good in the economy during the next five years, up from only 22 percent three months earlier.

Business leaders are also notably less optimistic about increased sales and profits for their companies. Fully 85 percent believe that the business climate in this country is becoming less favorable for companies to carry on their business and make a profit.

Profit expectations fell sharply, with only 32 percent of the executives now

expecting an increase in pretax profits during the next 12 months, down from 48 percent last spring and 60 percent a year ago.

"Business attitudes are beginning to catch up to consumer attitudes," says Jay Schmiedeskamp, economist and vice president at Gallup. "As usual, consumers became quite pessimistic well before the downturn. Last November, nearly three out of five expected bad times, in both the short and long term. Now it is two out of three."

A nearly unanimous 93 percent of business executives say that the regulations and requirements of the federal government take up more of their employees' time and their companies' money than two years ago. Fully 88 percent expect the drain to be still worse during the next two years.

The latest survey includes questions on corporate taxation. Strong support—84 percent—was expressed for

Probability of Double-Digit Inflation

	Summer 1978	Fall 1978	Winter 1979	Spring 1979	Summer 1979
Within 12 months	49%	51%	52%	64%	72%
Within 24 months	54%	56%	54%	63%	70%

Probability of Recession

	Summer 1978	Fall 1978	Winter 1979	Spring 1979	Summer 1979
Within 12 months	39%	38%	50%	50%	73%
Within 24 months	55%	52%	63%	63%	77%

Likelihood of Wage-Price Controls Within Two Years

	Summer 1978	Fall 1978	Winter 1979	Spring 1979	Summer 1979
	54%	76%	83%	73%	61%

Adoption of a National Value Added Tax

	Favor	Oppose	Don't know
As a substitute for part or all of:			
Social Security tax	18%	59%	23%
Corporate income tax	40%	39%	21%
Individual income tax	34%	45%	21%
As a source of revenue	5%	79%	16%

Prospects for Increased Sales and Profits (Adjusted for Inflation)

	Summer 1978	Fall 1978	Winter 1979	Spring 1979	Summer 1979
Sales:					
1 year	81%	74%	76%	73%	63%
4 years	86%	80%	86%	82%	78%
Pretax Profits:					
1 year	60%	51%	45%	48%	32%
4 years	67%	62%	60%	60%	53%

Effects of Energy Supply Problems

	Increase	No effect	Decrease	No response or inapplicable
On company's:				
Production	23%	46%	21%	10%
Employment	14%	57%	21%	8%
Costs	91%	3%	3%	4%
Profits	12%	15%	67%	5%

How the Government Will Do at Fighting Inflation

	Spring 1979	Summer 1979
Good job	1%	*
Fair job	33%	26%
Poor job	65%	73%

*Less than 0.5%

You don't know me, I realize . . .

But, I want you to have this before it's too late.

Hello . . . My name is Bud Weckesser. I'm 46 years old and I own a small company in Dunkirk, New York. Our phone number is 716-366-8300.

A number of years ago I lived in an apartment in Kent, Ohio. I had no savings and a beat-up old station wagon that still wasn't paid for.

One night my wife and I were playing cards with some friends. Mary mentioned casually that—on our budget—she was sure she knew 101 ways to fix hamburger. That hurt. So I challenged her. "If you'll type up the recipes," I said, "I'll take out a small ad in the National Enquirer and we'll see if anyone will pay \$3.98 for your collection of recipes."

I rented a P.O. Box in Kent and placed a small ad. It was surprisingly cheap.

Several weeks later I stopped by the post office. I walked over to my box. When I looked through the little glass window on the door, I almost dropped my key. The box was stuffed—jammed—full of letters. All of them contained checks for \$3.98—and they'd come from all parts of the U.S. and Canada.

The next few days were hectic, to say the least. My wife typed the recipes. I had them duplicated, stapled them together and our crude little book was born. But, every day, orders continued to pour in. And every day we'd bank the money and send out our stapled recipe booklet.

I decided to try another ad. This time I placed a classified ad for some of my beer and wine making recipes in Popular Mechanics. Again, the orders poured in. Over \$1,000.00 in just several weeks. And, as our business grew, I corresponded with other people . . .

• A husband-wife team from Sacramento wrote a booklet about how to "enjoy life in California." It pulled \$8,700.00 in 60 days in cash orders . . . all from a small ad . . . all by mail.

• An Oregon man informed me he had made over \$14,000.00 selling his small booklet about getting rid of moles and gophers in your yard. Again . . . all by mail.

• A Maryland man wrote an 8½" x 11" booklet of business advice. So far it's brought him over \$140,000.00 . . . all by mail.

Don't misunderstand. This isn't a get-rich-quick scheme. It's a business, and, as such, it's speculative. But test ads are cheap (as low as \$13.50 for a national ad) and the profit potential is staggering! An Ohio man I spoke with put a large display ad in a national Sunday sup-

plement. A few days later the orders started pouring in—mail sacks full of cash! Within the next two months he received over \$220,000.00 in CASH orders for his \$3.00 booklet.

Perhaps you're saying to yourself, "Yes, but this only works for a few lucky people." If that's your thought—and I don't blame you for being skeptical—please try this simple little test. It won't cost you a cent.

1. Go to the library and get some year-old issues of magazines with classified ads—like Popular Mechanics and Sports Afield, etc.

2. Select current issues of the same magazines.

3. Compare the classified ads. Look at the current issue then at the back issue. Note how many of the same classified ads are still running. **ONE YEAR LATER.** People don't continue running ads for over a year unless they're making money at it.

Let me give you some more amazing facts about this unique little business:

★ You can start at home . . . in your spare time . . . quietly . . . it won't interfere with your present job.

★ You can take out a test ad for as little as \$13.50 in a variety of well-known national magazines.

★ You don't even have to write a booklet yourself. I'll show you how to obtain "how-to" booklets at wholesale prices—or below. They're already written, already printed and ready to sell. Even better, you don't have to buy them until you've tested your ad and have the cash orders in hand. In short, you don't tie up any money in stock or supplies of books.

★ You can set your own hours. All you need is a post office nearby.

★ You can deduct up to 33% of the expenses on your home if you set up your office at home.

★ You can travel whenever you wish—or just loaf much of the time. All you need to do is pick up your mail twice a week—or have someone do it for you. You'll open orders, remove the checks (95% of them don't bounce, believe it or not) and bank your receipts.

★ In the afternoon or evening, you can type the labels for the small envelopes you'll use to ship your booklets. Drop them off at the post office and you're done. No bosses, no layoffs, no strikes, no rat race.

I've put all of my instructions—every secret—in a simple Starter Guide. And if you're wondering why I'd share my business

with you—especially if it's so profitable—here's why:

The range of topics and ads is almost infinite. I won't be competing with you nor you with me. I've got a whole drawer full of ideas I haven't even tried yet. There's plenty of room for everyone.

I'll show you—

• How and where to get national ads for only \$13.50 . . . ads you can run month after month.

• How to obtain **FREE ADS—YOU PAY ONLY IF THE AD IS SUCCESSFUL.**

• How to start with no money in books or supplies.

• Where to obtain hundreds of pre-printed booklets—at super low wholesale prices.

• How to word your ad—I'll include various sample ads.

• How to set up your office in a spare room or basement.

• I'll also include a giant list of "how-to" topics.

• Plus . . . all the sample ads, forms, lists, addresses, and details you'll need to get started within only 10 days.

If you're still skeptical, let me offer you a most unusual guarantee. I'll send you my Starter Guide for **SEVEN MONTHS.** That gives you plenty of time to actually try my materials. If, at the end of seven months—or anytime in between—you want your money back, just return what I've sent you. I'll issue you a full refund **within three working days**—no nonsense, no delays. That's our iron-clad guarantee.

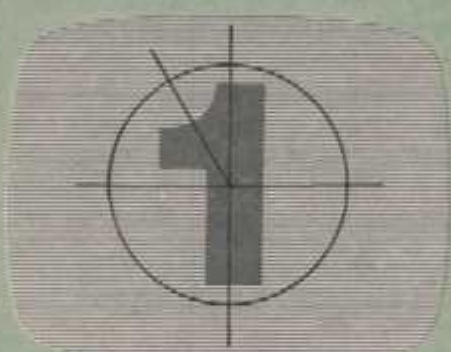
Also, please feel free to **POSTDATE** your check **THIRTY** days. If you're not satisfied with my materials just send them back within 30 days and I'll return your original **UNCASHED CHECK.**

To begin, just write the words, **Dollars In Your Mailbox** on a piece of paper. Enclose your check or money order for \$12.95 and send it to me, Bud Weckesser, at my address: Green Tree Press, Dept. 36, 10576 Temple Road, Dunkirk, N.Y. 14048. If you wish air mail delivery, please add \$1.00.

Or, you may charge it to your MasterCard or VISA card—be sure to include your account number and expiration date.

For **EXTRA FAST SERVICE**, call us at 716-366-8300 and give us the credit card information over the phone. You'll receive my materials for seven months at absolutely no risk to you. That's our unconditional guarantee.

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MAKE IT YOUR BUSINESS
TO WATCH

"IT'S YOUR BUSINESS"

Now on TV stations across the country: "IT'S YOUR BUSINESS" ... a program you won't want to miss ... provocative, no-holds-barred confrontation on business, economic, and political issues. Each week, leading figures from business, government, and the professions take on the issues and each other.

The issues that affect you directly—energy, taxes, inflation, regulations, white collar crime, to name a few. It's an exciting half-hour as current as today ... and it's produced weekly by the Chamber of Commerce of the United States. Moderator: TV news personality, Karna Small.

For details contact: William Dalton, Broadcast Group, Chamber of Commerce of the United States, 1615 H Street, N.W., Washington, D.C. 20062 (202) 659-3167.

**WATCH FOR IT
ON TV IN YOUR AREA
BECAUSE**



"IT'S YOUR BUSINESS" IS NOW ON:

STATION LOCATION

WPIX	New York, NY
KWHY	Los Angeles, CA
WFLD	Chicago, IL
WPHL	Philadelphia, PA
KBHK	San Francisco, CA
WSBK	Boston, MA
WGPR	Detroit, MI
WJLA	Washington, DC
WAKR	Cleveland, OH
KHOU	Houston, TX
KTVI	St. Louis, MO
WCIX	Miami, FL
WTBS	Atlanta, GA
WTVT	Tampa/St. Petersburg, FL
WMAR	Baltimore, MD
KOA	Denver, CO
WFSB	Hartford/New Haven, CT
KTXL	Sacramento/Stockton, CA
WVTV	Milwaukee, WI
WKRC	Cincinnati, OH
KBMA	Kansas City, MO
KGTV	San Diego, CA
WUTV	Buffalo, NY
WNGE	Nashville, TN
WBNS	Columbus, OH
KNXV	Phoenix, AZ
KGMC	Oklahoma City, OK
WKZO	Grand Rapids, MI
WLKY	Louisville, KY
WRGB	Albany/Schenectady/Troy, NY
WDTN	Dayton, OH
WGCB	Harrisburg/York/Lancaster/Lebanon, PA
WAVY	Norfolk/Portsmouth/Newport News/Hampton, VA
KMOL	San Antonio, TX
WNEM	Flint/Saginaw/Bay City, MI
WWBT	Richmond, VA
WDHO	Toledo, OH
WHO	Des Moines, IA
WJCT	Jacksonville, FL
WOKR	Rochester, NY

STATION LOCATION

WLUK	Green Bay, WI
WSLS	Roanoke/Lynchburg, VA
KMPH	Fresno, CA
WICS	Springfield/Decatur/Champaign, IL
WJNL	Johnstown/Altoona, PA
WDEF	Chattanooga, TN
WQAD	Davenport, IA/Rock Island/Moline, IL
KOAT	Albuquerque, NM
WNNE	Portland/Poland Springs, ME
WPEC	W. Palm Beach, FL
KHGI	Lincoln/Hastings/Kearney, NE
WKYT	Lexington, KY
WPTZ	Burlington, VT/Plattsburgh, NY
KZAZ	Tucson, AZ
KELO	Sioux Falls/Mitchell, SD
WOWL	Huntsville/Decatur/Florence, AL
WFFT	Fort Wayne, IN
WLTX	Columbia, SC
WQRF	Rockford, IL
KKTV	Colorado Springs/Pueblo, CO
KNOE	Monroe, LA/El Dorado, AK
WDIO	Duluth, MN/Superior, WI
WJCL	Savannah, GA
KEYT	Santa Barbara/Santa Maria/San Luis Obispo, CA
WPBN	Traverse City, MN/Cadillac, MI
WICZ	Binghamton, NY
WCSC	Charleston, SC
KCBJ	Columbia/Jefferson City, MO
WECA	Tallahassee, FL
WINK	Ft. Myers, FL
WVII	Bangor, ME
KCMT	Alexandria, MN
KERO	Bakersfield, CA
WDHN	Dothan, AL
WBTW	Florence, SC
KFPW	Ft. Smith, AK
KPLC	Lake Charles, LA
KECC	El Centro, CA/Yuma, AZ
KESQ	Palm Springs, CA
WAGM	Presque Isle, ME

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changing the current system of calculating useful lives for tax depreciation, "so that there would be fewer asset categories and shorter cost recovery periods." Only seven percent were opposed, with nine percent uncertain.

However, when asked to choose between several kinds of business tax relief, more business executives opted for a reduction in the corporate tax rate than any other. The question was: "If you had to choose only one type of business tax relief in 1980, which would be your first choice?"

Corporate tax rate reduction	34%
Depreciation changes	22%
Individual tax reduction	16%
Investment credit changes	9%
Capital gains tax reduction	9%
Social security tax reduction	8%
No response	2%

"Business decisions are sometimes heavily influenced by tax policies, and Congress and the administration should give more weight to the informed opinions of America's top business leaders," says economist James R. Morris, director of the National Chamber Survey Center.

One question concerned VAT, a na-

tional tax on the value added at each stage of production. Business respondents split 40 percent in favor and 39 percent opposed when asked if a VAT should be substituted for part or all of the corporate income tax.

Executives in the survey are against adopting VAT as a substitute for either the individual income tax or the social security tax. Only five percent opt for VAT as a source of additional revenue for the government.

The rising cost of health services was another issue in the survey. Executives were asked: "Has concern over inflation in health care costs caused your company to take any of the following steps during the last three years to contain health care costs?"

Modified employee benefit plan	44%
Offered a health maintenance option	28%
Started a self-funded health plan	14%
Installed health education programs	13%
Joined health planning groups	5%
None checked	29%

Altogether, nearly one third of the companies responding had taken more than one of these steps. Many companies plan to take one or more of these steps during the coming year.

Nine out of ten business people think energy supply problems during the next year will increase their costs; two thirds expect lower profits as a result.

Fifty-six percent of the respondents think government energy policies are likely to contribute very little or nothing to shifting the United States away from dependency on OPEC oil and toward the utilization of domestic energy sources. Thirty-six percent think government policies will contribute somewhat to such a shift, while only six percent believe such policies will help substantially.

The specter of wage-price controls lingers. Although the percentage has declined sharply since winter, three out of five business leaders still think it likely that mandatory controls will be imposed during the next two years. More than two out of five believe the current program will be expanded to include credit controls during the next year. □

68th

PUT IT ON YOUR CALENDAR NOW!

**ANNUAL MEETING
THE U.S. CHAMBER
OF COMMERCE
APRIL 27-29, 1980
WASHINGTON, D.C.**

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Atlanta 30346
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230 North Michigan Av.
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4835 LBJ Freeway

Richard Chalkley
Southwestern Adv. Mgr.
(214)387-0404

Dearborn 48126
Suite 815 East

Parklane Towers
One Parklane Blvd.

Robert H. Gotshall
Adv. Mgr.
(313)336-2410

San Francisco 94104
Room 223
368 Pine St.

Hugh Reynolds
Pacific Region Adv. Mgr.
(415)421-7436

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Five Minutes in August

WHEN ASKED why he robbed banks, Willie Sutton allegedly replied: "Because that's where they keep the money."

American labor unions have traditionally struck their employers for a similar reason: The employer is the source of what the union wants.

But last August there was a new kind of strike. The United Auto Workers interrupted production at several factories for five minutes, ostensibly so members could write to their congressional representatives demanding a national energy policy to the union's liking.

Doubtless, the owners and managers of the auto companies are at least as unhappy about the nation's energy problems as the workers. And five minutes of lost production time is unlikely to destroy the industry.

But the precedent is ugly. Punishing your employer to protest government policy is like kicking your dog because you've had a hard day at the office.

Even if the purpose of such protests is merely to attract attention, the probability of escalation is high. When five-minute protests become routine, something stronger will be needed. Soon, conditions here might resemble

those in Europe, where major unions periodically threaten to shut down their national economies to coerce government action. And what if the public gets caught between the protest actions of two unions with antagonistic objectives?

This kind of behavior is not in the best interests of the workers. They stand to harm themselves directly through lost wages—with no chance of recovering the pay—and indirectly through whatever damage the strike does to their employer.

Fortunately, the UAW strike incident is probably only a passing folly, a bad idea that got out of hand. There may be even more examples of poor judgment as a new generation of union leaders struggles for position in the coming years.

But the political strike is a particular affront to the tradition of rational self-interest that has, for the most part, guided American labor relations. It is an affront, too, to the nation's political traditions.

A UAW advertisement promoting the strike noted that "never before in U. S. history have so many workers taken such action on a political issue."

True. And, we hope, never again. □

Source comparative tar and nicotine figures: Either FTC Report May 1978, or FTC Method.
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